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## **THE RISK MANAGMENT PROCESS IN POLISH ENTERPRISES**

*Companies operating in the modern world should lay particular emphasis on increasing the security of functioning, which is possible thanks to the effective and integrated risk management. It should be noted, however, that the Polish entities do not attach particular importance to the problem of managing threats, treating the matter in a selective and limited way.*

**Keywords:** *management, enterprises, business model, risk.*

### **Introduction**

Companies operating in today's world are facing many challenges. By functioning in conditions of dynamic globalization, increasing competition, they must deal with raw materials and materials price increase, customer requirements, as well as the shortage of skilled and specialized workforce. In order to solve the above problems operators form varied inter-organizational relationships, expand markets, use a variety of methods of financing and upgrade production technology, which, however, is associated with an increase in the level of uncertainty and risk. Wanting to maintain their market position, the units must therefore learn to use instruments for increasing security at both operating and strategic level. In this light it is underlined the importance of the risk management system, which allows the identification of risk sources, as well as the development of specific procedures, depending on the possible scenarios of events.

On the basis of the above considerations, the main objective has been developed, which is the analysis of the risk management process in Polish enterprises. The objective was achieved with the empirical studies carried out on a sample of 244 Polish businesses, using an in-depth survey, direct interview and participatory observation.

### **Risks in business**

The starting point for the discussion about the role of risk management in business operating is the precise definition of the concept of risk. By analyzing the term from a broad perspective, it should be noted that the risk is a measure of the uncertainty of the results expected in the future, as a result of a specific event[4, 2008, s. 1108; 16, 1996, s. 990]. In the light of the management science, there should be emphasized its dual nature, as it may be seen from two perspectives[6, 2007, p. 13–14; 11, 2011, p. 45–48; 17, 2013, p. 35–36]. On the one hand, in accordance with the so-called. a negative

concept, it constitutes a hazard to be avoided, it is associated with danger, the uncertainty of results, the likelihood of failure, damage, or the occurrence of losses[7, 2012, p. 9–10; 15, 2012, p. 35–36]. On the other hand, in accordance with the neutral approach, a risk combines both the elements constituting a potential threat to the functioning of the entities, as well as chances to achieve extraordinary effects, and, by this way, competitive advantage. At the heart of this theory is the perception of risk in the business as the uncertainty of future events can be both negative and positive[2, 2013, s. 210; 7, 2012, s. 10–11; 13, 2013, s. 148–149].

In past years, you can notice a dynamic increase in the interest of risk issues in economic activities[1, 2010, s. 660–661; 5, 2009, s. 141–143; 12, 2004, s. 9; 14, 2010, s. 278–279]. At this point it should be noted that in the literature, risk management is mostly analyzed as a complex, complicated and multifaceted process, allowing to achieve a number of benefits by the companies, such as increasing the likelihood of achieving the objectives, building a trust with shareholders and investors, determining the propensity to take risks, increasing the flexibility of the functioning of the organization, minimizing surprises and operating losses, optimizing the allocation of resources, taking the opportunities emerging with the potential threats as well as increasing the potential of learning of the organization[3, 2011; 8, 2016; 9, 2011, p. 9; 10, 2010, p. 15–17]. In this context, Arena et al.[2010, p. 661] model deserves special attention, who studying the essence of the enterprise risk management process, noticed that it consists of eight the following phases:

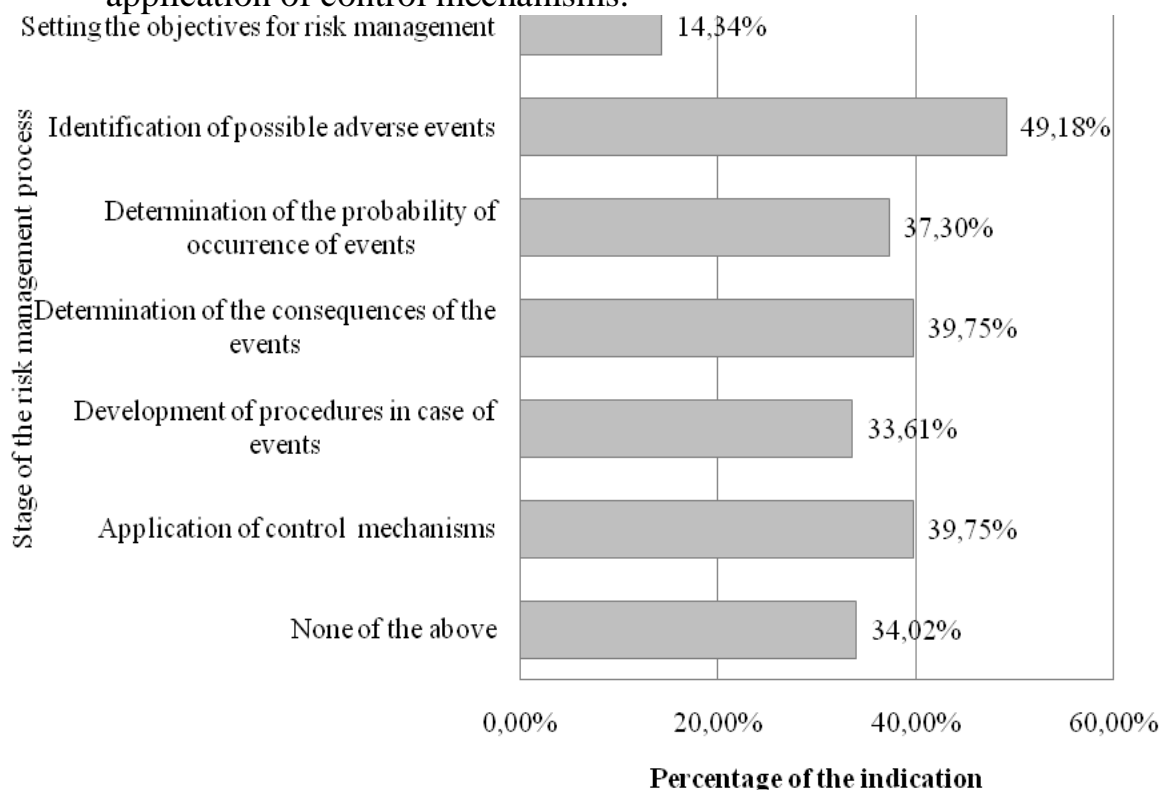
- 1) determination of the ratio of the organization to risk;
- 2) determination of the objectives and tasks of individual organization cells;
- 3) diagnosis of events which are internal and external opportunities and threats;
- 4) risk assessment taking into account the estimate of the probability and consequences of events;
- 5) development of activities tailored to the individual attitude to the risk, in response to an instance of an event;
- 6) application of the control measures determined by the relevant procedures;
- 7) providing mechanisms for efficient flow of information within the organization;
- 8) monitoring to improve the effectiveness of the risk management system as a whole.

### **The risk management process in the light of empirical research**

Empirical studies on this issue have been carried out in the period from October to January 2016, and within them, units located in Poland were investigated by means of a questionnaire survey 244. Parsed entities have been asked to determine the actions they perform for risk management.

Considering, however, the fact that the risk management process is described in the literature from different perspectives, and the number of phases in different scenes ranging from a few, to even a dozen, the author came up with the assumption that in order to get the most reliable results, this process in the poll should be rendered up to simply and clearly, to avoid a situation in which the company, though has implemented a risk management system that works in fully correctly and efficiently, does not declare the use in practice part of the stages, due to the implementation of this system in accordance with its different concept. Based on the studied literature and the above conditions, it has been decided, therefore, to approach the risk management system in the enterprise, as a continuous process consisting of six elementary, general steps, on which there are the following activities (Figure 1):

- setting the objectives for risk management,
- identification of possible adverse events,
- determination of the probability of occurrence of events,
- determination of the consequences of the events,
- development of procedures in case of events,
- application of control mechanisms.



**Figure 1. Selected mechanisms of risk management process used by Polish companies**

*\*Note: respondents could select more than one answer.*

*\*\*Source: own based on empirical data.*

Empirical studies have shown that as many as one-third of the companies does not apply any of the above activities, the use of one stage declares the 5% of the tested, two 19%, three 17%, four 11%, five 8%, and all six only 6% of respondents. At this point, first of all, it should be noted that a very large

proportion of companies do not manage risk at all. Not only do they not set goals nor they apply control mechanisms, but not even do they try to predict future events and determine the consequences thereof.

In order to deepen the examination of the application of risk management mechanisms by Polish enterprises, it seems necessary to carry out an analyses that will let answer the question, which of the mentioned above stages are applied by enterprises most often. The survey research has shown that almost half of respondents identifies possible adverse events, while 40% of operators determines the consequences of events, as well as apply control mechanisms. It should be noted that 37% of the units determine the probability of events, and 34% develop procedures in the event of their occurrence. The least used stage of the risk management process is setting its goals, which was declared only by 14% of respondents.

Further research, within which there were conducted in-depth interviews and participant observation was used have shown that companies striving to effectively manage risk, are able to identify possible adverse events, however, due to the lack of appropriate skills and experience often face problems with correctly determining the probability and the consequences thereof, as well as the development and implementation of effective safety procedures.

### **Summary**

In conclusion, it can be noted that the Polish companies do not attach sufficient importance to the problem of risk management. A survey showed that only 6% of Polish companies perform all actions that should form part of the risk management process. A significant proportion of organizations manage risk in a selective, limited way, taking only some steps of the process. The cause of the selective application of risk management mechanisms is the desire to achieve a compromise between the resources involved, and the achieved effects. However, it should be noted that this kind of action, if it is not used with full knowledge, can be dangerous, as it contributes to the construction of a false sense of security.

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