

## **Risk management function in entrepreneurship: features and problems of modern development**

**Komolov Hursandbek Hasanovich, PhD,**  
associate professor, "Accounting, analysis and audit" department,  
Andijan Agriculture and Agri-technologies institute, Uzbekistan

**Imodinov Hamidillo Soyibjonovich,**  
senior lecturer, "Accounting, analysis and audit" department,  
Andijan Agriculture and Agri-technologies institute, Uzbekistan

**Abstract.** The article deals with the features and problems of the modern development of the risk management function of business structures, the classification of risks and the characteristics of the processes of their modification. Particular attention in the article is paid to the solution of strategic management tasks in the field of risk management.

**Keywords:** business structures in the economy, risks, risk factors, types of risks, stages of the emergence of business risks, risk management, business risk management functions.

### **Introduction**

In the "Strategy of actions for five priority directions of development of the Republic of Uzbekistan in 2017-2021", approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. UP-4947, special attention is paid to the issues of creating an effective risk management system in entrepreneurship. Deepening structural reforms, accelerated development of the real sector of the economy, strengthening the country's economic security, increasing exports and import-substituting production are recognized as the most important tasks of creating an effective risk management system in entrepreneurship [1].

The theory and practice of entrepreneurship today is at a new stage of development, which is determined by globalization, the transformation of the system of economic relations between business entities, as well as the informatization of all spheres of human activity. This cannot but be reflected in such a process as the emergence and modification of risks and their impact on business structures.

The nature of management activities in the field of risks is also undergoing numerous changes, among which one should highlight the use of a qualitatively updated information toolkit and ensuring all types of security, including information security, along with the expansion of requirements for employees using information technology, as well as creating and maintaining computer systems.

Business risk management is becoming more complicated against the background of the current state of the economy of the Republic of Uzbekistan in

the world, as well as changes at the level of each, separately taken, business structure. This affects the nature of competition, which implies the search for new tools for managing entrepreneurial structures in order to ensure a high level of their competitiveness. In the context of the transformation of entrepreneurial risks, the existing methods and mechanisms of management cease to be fully adequate to the new realities of globalization and informatization [2]. In addition, the lack of effective management tools adapted to the conditions of economic instability hinders the use of risks, primarily external ones, in order to determine new directions for the development of entrepreneurship in the Republic of Uzbekistan.

This problem is not limited only to external entrepreneurial risks, since under the influence of rapid innovative development, informatization and digital transformation of society in the internal environment of entrepreneurial activity, changes also occur, leading to the emergence of new risks.

Insufficient scientific elaboration of these issues actualizes scientific research aimed at the formation and scientific substantiation of new conditions that ensure the development of the entrepreneurial environment of the national economy on the basis of effective risk management. An important component of this is the study of the readiness of workers in modern business structures to work with risks and the development of new solutions that meet the increasing requirements of the current stage of globalization. While these problems are relevant for all business structures, their solution should be based on taking into account the national and sectoral specifics of entrepreneurship.

This determines the choice of the subject area, as well as the relevance and significance of the topic of this scientific article.

### **MAIN PART**

It is well known that one of the basic conditions for the existence and development of entrepreneurial activity is risks. They accompany entrepreneurial activity at all stages of the life cycle - from inception to liquidation of an entrepreneurial structure. At the same time, it is difficult to say what role they play in entrepreneurial activity - mostly positive or negative.

Based on the theoretical postulates of a market economy, we certainly agree that risk and competition are necessary conditions for the existence and development of entrepreneurial activity. Consequently, risks play a predominantly positive role in entrepreneurship, stimulating the process of its development as a whole, as well as at the level of each, separately taken, entrepreneurial structure. In the practice of entrepreneurial activity, a huge number of risks are encountered. Within the framework of the generally accepted approach to their classification, it is usually customary to distinguish the following types of risks: external, internal, financial, production, commercial, strategic, managerial, personnel, legal, project, investment, logistics, image, reputation, environmental, etc.

In modern conditions, there is a process of diffusion, when risks, intertwining with each other, are modified, creating new unique combinations for a particular business structure in specific conditions, under the influence of internal and external factors. In addition, the very nature of risks is modified, when the external conditions that give rise to them become more significant than internal ones.

In the theory of entrepreneurship today, more attention is paid not to the process of minimizing risks, but rather to the possibility of predicting the emergence of new risks and assessing their impact on entrepreneurial structures for use in order to identify new opportunities to ensure their own competitiveness (or even eliminate competitors). Such research cannot be carried out outside the context of globalization and the trends with which it is associated [3, p. 7].

At the same time, particular interest lies in solving problems related to improving the image and reputation of entrepreneurial structures (primarily large and medium-sized ones), which seek to reduce image risks and form a sustainable reputation for cost-effective and socially oriented entrepreneurial structures.

The tasks associated with reducing risks in this area correspond to the foundations of a socially oriented model of the economic system of economically developed countries. At the same time, entrepreneurial success is inextricably linked with the level of social responsibility. The higher the social responsibility of the firm, the more likely it is that the consumer will make a choice in its favor, as well as in favor of the goods and services it offers. We can say that social responsibility, reflecting the special worldview and ethical values of the entrepreneur, is also becoming a specific product presented on the market along with "ordinary" goods and services. Of course, this requires additional transaction costs, which is reflected in an increase in the final price of goods and services, especially in the short term. Nevertheless, this not only does not become an obstacle, but, on the contrary, creates additional incentives for consumers who are confident that part of the income received by the entrepreneurial structure will be directed to charity, the environment, support for those in need, restoration of natural or historical monuments, volunteer programs, etc. This allows us to speak about a high level of human capital development, combined with a high level of income of the population of economically developed countries.

As for developing countries, and the Republic of Uzbekistan is no exception here, under the influence of globalization, characterized by transparent borders and a simplified process of movement of goods and factors of production, the level of competition in national markets is increasing. In these conditions, it is necessary to search for new ideas in the field of positioning business structures, which implies strengthening the image and reducing image and reputational risks [4, p. 192]. The very existence of these risks presupposes their monitoring and the development of management models of entrepreneurial behavior in order to neutralize them. The fact is that, as theory and practice show, the reputation and image of employees of a particular entrepreneurial structure can both help to promote the competitiveness of a firm and act as a source of risks.

In this regard, we should talk about the complication of the risk management function in terms of planning and monitoring the activities of personnel, primarily at the level of top management. At the same time, the company's image also depends on ordinary employees. As an example, we can cite the damage that is caused to the reputation of entrepreneurial structures by the insufficiently correct and attentive attitude of their personnel towards people with disabilities. So, in our country with a certain frequency there is information about cases of discrimination

in relation to such categories of visitors to restaurants, shopping centers, etc. All this presupposes the search for new solutions that correspond to the modern conditions of doing business and a tolerant attitude towards the surrounding world. [5, p. 57-58].

In some cases, entrepreneurial activity even leads to disasters of a global nature, such as the events in the Gulf of Mexico in April 2010. This is the largest oil spill in the history of oil production. As you know, the leak that occurred as a result of the explosion on the oil platform of British Petroleum was stopped only three and a half months later. During this time, 670 thousand tons of oil spilled into the sea, of which only three quarters were collected and neutralized with the help of chemical reagents [6]. This disaster caused not only colossal environmental damage, but also reputational damage to this company, and the financial costs incurred by it to eliminate the consequences of the explosion are comparable to efforts to restore its reputation.

In this regard, the increasing importance of risk management at all stages of the production process, from preparation for the production process to the consumption of the finished product and after-sales service, should be emphasized. An effective risk management system should be based on purposeful activities to identify, assess and develop a sequence of actions that allow solving problems in the field of risk minimization. It seems to us that this is of particular importance in the context of increasing economic instability, accompanied by an increase in the number of managerial tasks, both commercial and image ones.

This requires clarification of the target function of risk management, which should be defined as targeted analytical and managerial work aimed at obtaining the maximum entrepreneurial effect based on optimizing activities and minimizing all types of risks. Its implementation, in turn, should be based on a unified systemic basis, which makes it possible to effectively solve tactical, operational and strategic tasks.

First of all, attention should be paid to the solution of strategic management tasks in the field of risk management, based on a general understanding of strategy as the art of management. We point out that strategic risk management is a specific management activity aimed at predicting risks and working in the area of their neutralization or minimization, which makes it possible to implement strategic plans for the development of an entrepreneurial structure in conditions of strategic uncertainty. At the same time, a search is carried out for alternative options for the behavior of an entrepreneurial structure in conditions of risk and uncertainty, their assessment and selection of the most rational scenario, as well as the elimination of risk sources. This requires special knowledge, experience, as well as the availability of opportunities to implement the developed solutions, relying on economic, financial and intellectual components, which together form the potential of the entrepreneurial structure.

Potential is largely determined by the size of the firm, the volume of goods and services it produces, the market share, financial strength, and the availability of appropriate personnel. Thus, the larger the scale of the entrepreneurial structure, the

more opportunities it has in the area of influence on the emerging external and internal risks.

When speaking about the risks arising in the external business environment, one cannot ignore the actions of competitors. Thus, competitors create risks for the functioning of specific business structures and the market as a whole. In addition, competitors can join forces in the process of minimizing or eliminating the action of external risks arising in relation to the national market by those forces or processes that relate to the global market and form cross-country risks [7, p. 44].

This is confirmed, in particular, by such events as the joining of efforts of a number of business structures operating in the same market and being competitors in relation to the economic sanctions imposed against our country. Today, one can observe a situation where individual companies not only unite, but also require certain steps from the state, forcing it, in fact, to play the role of an active lobbyist and create a pool of companies that counteract emerging risks [8, p. 43].

Over the past three years, such actions have already ceased to be one-off, despite the fact that they, as a rule, do not affect the sources of risks (mainly political). An example of this is the measures of the Russian government, the implementation of which makes it possible to partially compensate for the losses of domestic companies caused by the unilateral decision of the United States to impose duties on steel imports in March 2018 against the Russian Federation in the amount of 25% and aluminum - in the amount of 10% [9].

As for tactical management tasks in the field of risk management, they are aimed at neutralizing specific risks ("here and now") or minimizing them. As part of this, a list of specific methods, techniques and tools typical for a particular market, business structure, or even for a specific risk is developed and implemented. The above does not mean that all developed management decisions are unique (although there are some). Sometimes they rely on well-known algorithms, but at the same time they are modified based on a specific situation, including - depending on what its nature is - economic or non-economic, and what is the nature of the emerging risk - internal or external in relation to the entrepreneurial structure. The effectiveness of such solutions is determined by the degree to which the impact of risk on a specific business structure is reduced, and ideally, by its complete elimination.

These processes, along with their dynamics, impose additional requirements on the management of entrepreneurial structures. Proceeding from this, in the context of globalization, the list of persons, or even specially created positions (professions), who solve problems in the field of risk management, is significantly expanding. These currently include:

- risk managers;
- financial managers;
- acquirers - trusted agents;
- actuaries - specialists in statistical calculations of risk levels in insurance;
- underwriters - persons who analyze and assess insurance risks, etc. [10,

p.41].

Even a cursory glance at the above list of professions shows that most of them have appeared recently. It can be predicted that in the future there will be new professions that involve risk management based on new advances in cybersecurity. Entrepreneurial activity in this case is a reflection of the existing trends associated with globalization, as well as with an increase in political risks. This is most relevant for large domestic entrepreneurial structures whose business areas are connected with both Russian and foreign markets. Thus, the interaction of PJSC Gazprom with the transit countries of Russian gas presupposes the expansion of the staff of international lawyers, as well as the involvement of various Russian and foreign legal structures, as well as companies engaged in lobbying and PR activities, in protecting the company's interests [11, p. 127].

The formation of entrepreneurial risks is influenced by many processes that determine, among other things, the behavior of various economic entities. This can be schematically represented within the framework of factor analysis (Fig. 1).

The diagram shown in this figure has a dual purpose. On the one hand, this is a reflection of a systematic approach to the analysis of the process of the emergence of various risks, and on the other hand, it is an indication that in each specific case, risks can act in relation to the business structure as internal or external, controlled to a greater or lesser degree. This ensures the differentiation of risk management tasks and, as a consequence, the achievement of a more significant result.

With the complication of the structure and nature of the functioning of the business environment, the improvement of the business risk management function presupposes the modification and effective adaptation of the following components:

1. Organization - the ability to unite employees and create a team (permanent and / or temporary), ready to work effectively in the face of increasing risks.

2. Forecasting - the ability to foresee, first of all, events leading to the emergence of new or modification of existing risks. This function is especially important when analyzing the management situation and identifying events that can influence the process of minimizing or eliminating existing risks, as well as searching for new opportunities for the development of an entrepreneurial structure.

<p><u>General factors:</u></p> <ul style="list-style-type: none"> <li>• Natural and climatic;</li> <li>• <i>Economic</i>;</li> <li>• Political;</li> <li>• Technogenic;</li> <li>• Social;</li> <li>• Scientific and technical;</li> <li>• Legal</li> </ul>	<p><u>General economic factors:</u></p> <ul style="list-style-type: none"> <li>• Macroeconomic stability;</li> <li>• Economic growth;</li> <li>• Economic security;</li> <li>• Anti-cyclical regulation;</li> <li>• Normative legal regulation of entrepreneurial activity</li> </ul>
<p><u>Entrepreneurial factors:</u></p> <ul style="list-style-type: none"> <li>• Production</li> </ul>	<p><u>Behavioral factors:</u></p> <ul style="list-style-type: none"> <li>• Interests;</li> </ul>

<ul style="list-style-type: none"> <li>• Trading;</li> <li>• Logistic;</li> <li>• Informational;</li> <li>• Marketing;</li> <li>• Competitive</li> </ul>	<ul style="list-style-type: none"> <li>• Motives;</li> <li>• Incentives;</li> <li>• Related to human capital;</li> <li>• Related to personnel management</li> </ul>
<p>Factors shaping the financial result:</p> <ul style="list-style-type: none"> <li>• Investment;</li> <li>• Credit;</li> <li>• Banking;</li> <li>• Related to the stability of the national currency</li> </ul>	

**Figure 1 - Conceptual diagram of risk factors and their influence on the formation of financial results of entrepreneurial activity (developed by the author)**

3. Ensuring sustainability - the ability to influence risks, as an object of management, in order to ensure the ability of the business structure to effectively resist them.

4.Coordination is the ability to ensure a high level of consistency in the work of all structural units within the entrepreneurial structure, and, if necessary, in the external business environment, in the field of countering risks (if this does not contradict national, in particular, antimonopoly legislation).

5.Control - the ability to carry out effective verification of current activities and the results obtained at various stages of risk management work. This makes it possible to adjust the approved work plans, especially in the area of achieving key indicators of entrepreneurial activity.

6.Monitoring is the ability to constantly monitor all processes occurring both in the internal and external, in relation to the business structure, the environment, which allows early detection of threats and new opportunities.

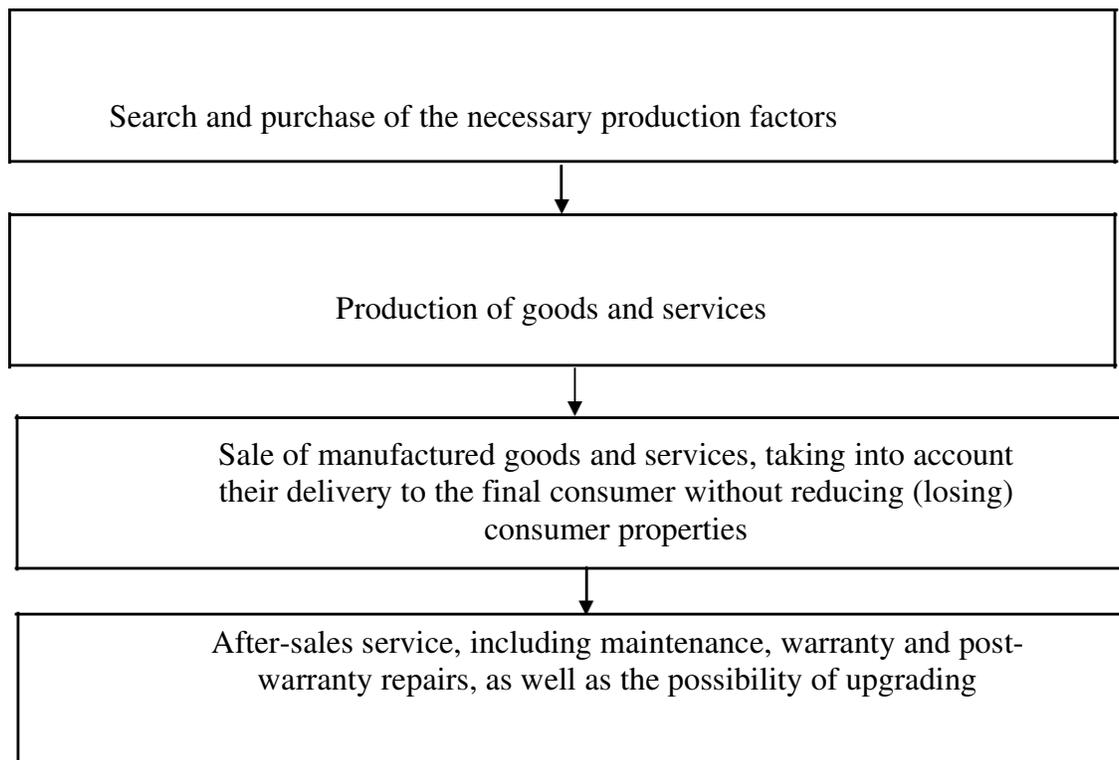
7.Incentives - the ability to activate the work of risk managers and other personnel in the face of risks. [12, p. 28].

Each of these components of the risk management function has a high level of significance, and it is not possible to single out the most priority ones among them.This is not entirely advisable, except in cases when it comes to an ultra-short period of time or a small number of risk factors that are in a stable state.But this situation is hypothetical and is more the exception than the rule. In practice, entrepreneurial risks are characterized by the absence of statics, both in composition and intensity, and in the duration of action.

Threats associated with entrepreneurial risks are caused, among other things, by the likelihood of errors and miscalculations when making managerial decisions, assessing negative results and distributing powers and responsibilities (material, moral, personnel, etc.) for risk management.Neutralization of threats determined by the scale of possible damage and the active striving of entrepreneurs for leadership in the market involves obtaining, processing and using an array of complete, reliable, timely information related to risks.This problem seems to be

one of the central ones in the field of entrepreneurial risk research and is subject to further analysis within the framework of this work. This implies detailing the areas of risk occurrence depending on the stage of the reproduction process, taking into account the quantitative, qualitative and temporal parameters (Fig.2).

Taking into account that entrepreneurial risks have a ramified structure and differ in the strength of their impact, it can be assumed that some of them will tend to zero in the short-term period, that is, risk-free business transactions may occur. This allows us to characterize part of entrepreneurial activity as risky, and part as risk-free.



**Figure 2 - Stages of the emergence of entrepreneurial risks within the reproductive process (developed by the author)**

So, a risk-free zone can be attributed to a situation in which all transactions are carried out in strict accordance with previously concluded applications, orders, contracts. In the event that one of the parties is not able to fully or partially fulfill its obligations, conditions will be put into effect, providing for the payment of fines, penalties, and forfeit.

In this case, the refusal to fulfill the concluded contracts can be resolved in court, with the unconditional execution of the court decision, which corresponds to the conditions of the rule of law.

Note that similar situations take place in practice, especially when they become involved in:

- permanent partners with a long history of mutually beneficial partnerships;
- entrepreneurial structures that are in cooperation with each other and use the products of suppliers as a resource for the production of their products;
- business structures that are part of a holding or vertically integrated company;
- entrepreneurs who are distinguished by a high level of ethics and business reputation.

### **Conclusion:**

1. It is important to note that the process of managing entrepreneurial risks should not be separated from the system of managing the entrepreneurial structure. It is only a part of it, although it is quite significant, but at the same time its functioning does not contradict the current laws and regularities, as well as basic management technologies.

2. The mechanism for managing entrepreneurial risks should be based on universal basic principles applied in the practical activities of entrepreneurial structures, regardless of their scale, industry affiliation and stage of the life cycle. These principles can be ranked by levels, taking into account their adaptation to the specifics of risk management. Let's imagine these levels:

a) conceptual level. Here it is proposed to conduct a comprehensive assessment of the activities of an entrepreneurial structure as a full-fledged economic entity. The current methodological apparatus makes it possible to determine the target function of a specific entrepreneurial structure, relying on the interests of the entrepreneur and the interests of consumers (individual and / or collective) of the goods and services produced;

b) operational level. Here, a comprehensive assessment of the main technological approaches to organizing the work of the analyzed entrepreneurial structure is carried out, ensuring the achievement of the set goal, taking into account the interests identified at the previous stage;

c) elemental level. It focuses on the assessment of the work technology of each specific manager of a given entrepreneurial structure and his communication with other managers from the point of view of the tasks being solved and the results obtained. At this level, the most clearly traced the need not only for consistency, but also for formalization as a management process and its results. At the same time, elements of a creative approach to management are not rejected either. [13, p. 28].

3. Under the influence of modern business development processes, including in the field of globalization, as well as the development of science and modern technologies, there is an objective process of increasing the importance and modernization of the risk management function at all stages of the reproduction process. This presupposes the implementation of a set of actions to revise the basic foundations of management, starting with the functions implemented within its framework and ending with the emergence of new professions in the context of the emergence of new and modification of existing risks.

4. Today, multidirectional processes are spreading more and more, creating risk situations, which involves the intensification of joint activities of various

business structures, including competing with each other, in order to minimize and eliminate risks, as well as improve financial performance, image and reputation. In fact, we are dealing with a new form of cooperation in the context of a new economic reality that is shaping and transforming the entrepreneurial environment in the period of globalization.

### References:

1. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. UP-4947 "Strategy of actions in five priority areas of development of the Republic of Uzbekistan in 2017-2021".

2. Decree of the President of the Republic of Uzbekistan dated January 8, 2019 No. UP-5614 "On additional measures to ensure the further development of the economy and increase the efficiency of economic policy".

3. Kharlamov A.V. Development of Russia in the context of global economic instability // *Izvestiya Saratov University. New series. Series Economics. Control. Right.* - 2018. - T.18 Issue 1. -p. 4-11.

4. Epifanova N.S. Realization of the economic potential of integration in the Eurasian space in the context of geopolitical risks // *Russia and the Eurasian world: past, present, future. Materials of the International Scientific and Practical Conference.* - Novosibirsk: Publishing house SibAGS, 2015. - p. 190-195.

5. Borodushko I.V. Assessment and Modeling of Economic Risks: From Theory to Practice // *Scientific Notes of the St. Petersburg Named after V.B. Bobkov branch of the Russian Customs Academy.* - 2016. - No. 4 (60). - p. 56-61.

6. The largest oil spills in history. [Electronic resource] /<http://samogoo.net/samyie-krupnyie-razlivyi-nefti-v-istorii.html> (date of treatment 06/22/2018).

7. Lebedin N.Yu. Globalization and development of modern enterprises // *Economics and Management.* - 2017. - No. 6 (140). - p. 43-46.

8. Tumalanov N.V. Functions of the state in ensuring the survival of industries under the threat of recession // *Oeconomia et Jus.* - 2015. No. 1. - p. 41-46.

9. How Russia reacted to the US imposition of duties on metals // *Vedomosti,* 2018, March 09. [Electronic resource] /<https://www.vedomosti.ru/business/articles/2018/03/09/753103-otreagirovali-na-vvedenie-poshlin> (access date 07/18/2018).

10. Golubyatnikova Yu.Yu. Economic risks in entrepreneurial activity: monograph. - Voronezh: RITM Publishing House LLC, 2017. - 256 p.

11. Seleznev P.S., Shaposhnikov A.I. Lobbying in the oil and gas complex of modern Russia // *Power.* - 2017 # 5. - p. 122-129.

12. Ioda E.V., Izmalkova I.V. Risks of entrepreneurial activity: approaches to management // *Innovative Economics and Law.* - 2017. No. 3 (8). - p. 24-31.