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Bachelor's degree programme

International Economics and Commercial Diplomacy

**Risk management in International Companies located
in Latvia**

Riska vadība starptautiskajos uzņēmumos Latvijā

BACHELOR PAPER

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ANNOTATION

Risk is the inseparable part of the economic, political, social life of society inevitably accompanies all areas of activity and direction of any organization that functions in a market. In this regard, the main and indispensable criterion for the normal capacity of a modern enterprise is the ability of top management, relying on a strictly scientific basis to predict, conduct prevention, rationally control and effectively manage risks. The risk is connected with management and directly depends on efficiency, validity and timeliness of administrative decisions.

The theme of the Bachelor thesis is the Risk Management in International Companies in Latvia. The aim of the Bachelor thesis is this study is to systematize theoretical views and practical activities of Risk management process in International Companies to identify their potential problems. The theoretical first part contains a research on the bases classification of Risk and Method of Risk assessment. The second part defines the experience of most famous companies in the world with Risk Management process and their way to mitigate risk. Within the Practical Part of the Bachelor thesis the author has analyzed a research related interview-survey with representative of international companies in Latvia.

The thesis consist of: annotation; list of tables and figures; introduction; tree chapters; conclusion and recommendations; bibliography; annex.

Key Words: Risk Management, Risk Management system, Risk Management measures, Risk assessment.

ANOTĀCIJA

Risks ir neatņemama daļa no sabiedrības ekonomiskās, politiskās un sociālās dzīves, kas nepārprotami ir saistīta ar visām tirgus funkcionēšanas un darbības jomām. Šajā sakarā mūsdienu galvenais kritērijs ir augstākās pārvaldīšanas spēja, balstoties uz zinātnisku pamatu, lai prognozētu, novērstu, kontrolētu un racionāli novērstu riskus. Risks ir cieši saistīts ar pārvaldīšanu un atkarīgs no lēmumu efektivitātes savlaicīguma un lietderīguma.

Bakalaura darba tēma ir riska vadība starptautiskajās kompānijās Latvijā. Bakalaura darba mērķis ir analizēt teorētiskus uzskatus un praktiskas darbības riska vadības procesā starptautiskajās kompānijās, lai varētu indentificēt potenciālās problēmas. Teorētiskās daļas pirmajā pusē veikts pētījums par riska klasifikācijas bāzi un riska novērtēšanas metodi. Otrajā daļā ir aprakstīti populāru starptautisku uzņēmumu pieredze saistībā ar riska pārvaldības procesu un to, kā mazināt risku. Bakalaura darba praktiskajā daļā autors ir izanalizējis šo jautājumu ar zināmu starptautisku uzņēmumu pārstāvjiem Latvijā.

Bakalaura darbs sastāv no: anotācijas; tabulām un skaitļu saraksta; pētījuma; trīs nodaļām; secinājumiem un ieteikumiem; bibliogrāfijas; pielikuma.

Atslēgas vārdi: riska pārvaldība, riska vadības sistēma, riska pārvaldības pasākumi, riska novērtēšana.

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INTRODUCTION

Every new enterprise or new project inevitably encounters on its way with certain difficulties threatening its existence. It is very important for an entrepreneur to be able to foresee such difficulties and to develop strategies for overcoming them in advance. It is necessary to assess the degree of risk and identify the problems that business may face. Success in the business world depends crucially on the correctness and validity of the chosen business strategy. In this case, the probabilities of critical situations must be taken into account. It would be highly naive to consider business activities without risk.

The threat can come from competitors, from own miscalculations in the field of marketing and industrial policy, mistakes in the selection of leading cadres. Danger can also represent a technical process that can instantly "grow old" any novelty. For any business, it is important not to avoid risk in general, but to anticipate and reduce it to a minimum level. To reduce losses from possible miscalculations, special procedures are provided that help to take into account uncertainties and risks at all stages of project implementation. Knowing the types and significance of risks can affect them by reducing their impact on the effectiveness of the project. In other words, the expert faces the following tasks: identification of risks; risk assessment; determination of the method of risk reduction at each stage of the project; organization of work on risk management. The problem of risk management is very relevant.

Aims and objectives of the research paper. The aim of this study is to systematize theoretical views and practical activities of Risk management process in International Companies to identify their potential problems.

To achieve these goals, the following **tasks** are defined:

- To explain the concept and classification of Risk Management
- To interpret basic method of Risk Management
- To compare the experience of International Companies for Risk Management
- To make interview-survey in the companies in Latvia about Risk Management process

Structure and scope of the paper: The bachelor paper consist of 3 chapters. In the first chapter given information about theoretical aspects of risk management to the company. In this chapter described the types of risks and the analyses of this risks. In the second chapter is illustrated the main finding about risk management in the big

companies around the world. The role of risks and solving problems and methods shown in that chapter. In the third chapter author analyzed international companies located in Latvia. The author write in the third chapter the own analyze of the famous international companies.

The author used different type of sources but most used authors are Steve L. Allen and Daniella van Well-Stam. Based on the books of this authors the thesis was written.

Methodology of this thesis is expert interview with representatives of the companies. The author analyzed 4 international companies' risk management operations and solution. The companies are in different field.

Limitation of this thesis is the research made only in companies located in Latvia. Moreover, the amount of the analyzed companies (4) are not big.

Thank to my parents for supporting me during study period. Great thanks to Dr.oec., prof. Baiba Šavriņa for guiding me during the bachelor thesis. Thanks for Astra Zalkalne for informing about study during the study.

CHAPTER-1. THEORETICAL ASPECT OF RISK MANAGEMENT PROCESS AND CLASSIFICATION

1.1. Concept and classification of risks

The goal of entrepreneurship¹ is to maximize revenues with minimal capital outline in a competitive environment. The realization of this goal requires measuring the size of the invested (advanced) capital in the production and trading activities with the financial results of this activity. At the same time, in the implementation of any type of economic activity, there is an objective risk (risk) of losses, the volume of which is determined by the specifics of a business. Losses that occur in entrepreneurial activities can be divided into material, labor, financial. For a financial manager, the risk is the probability of an unfavorable outcome. The most important elements underlying the risk classification are:

- Time of occurrence;
- The main factors of occurrence;
- Nature of accounting;
- The nature of the consequences;
- The sphere of origin and others.

By the time of occurrence, risks are allocated to retrospective, current and prospective risks. The analysis of retrospective risks, their nature and methods of reduction provides opportunities to more accurately forecast current and future risks.

Political risks-these are risks caused by a change in the political situation affecting business activity (closing of borders, ban on export of goods, military actions on the territory of the country

Economic (commercial) risks² are risks caused by unfavorable changes in the economy of the enterprise or in the economy of the country. The most common type of economic risk, in which private risks are concentrated, are changes in the market situation, unbalanced liquidity (inability to timely fulfill payment obligations), and changes in the level of management.

By nature of accounting risks are divided into:

¹ George E. Rejda and Micheal J. McNamara "Principles of Risk Management and Insurance" total number 719, page Published 2017

² Bruce T. Barkley "Project Risk Management" Published 2004 year total number 229, page 4

- External risks include risks that are not directly related to the activities of the enterprise or its contact audience (social groups, legal entities and (or) individuals that show potential and (or) real interest in the activities of a particular enterprise). The level of external risks is affected by a very large number of factors - political, economic, demographic, social, and geographic.
- Internal risks include risks caused by the activities of the enterprise itself and its contact audience. Their level is influenced by the business activity of the company's management, the choice of the optimal marketing strategy, policy and tactics, and other factors: the production potential, technical equipment, the level of specialization, the level of labor productivity, safety standards.

Net risks³ (sometimes they are also called simple or static) are characterized by the fact that they almost always carry a loss in business activity. The causes of pure risks can be natural disasters, wars, accidents, criminal actions, incapacity of the organization.

Classification of risks⁴ in the sphere of origin, based on the scope of activity, is the most numerous group. In accordance with the spheres of entrepreneurial activity, they are usually distinguished: industrial, commercial, financial and insurance risk.

In the conditions of management, the damage from risks of any kind, one way or another, affects the socio-economic potential of the country. In this regard, the "set" of risks⁵ is taken into account by various actors in their livelihoods. Especially important is the process of identifying and minimizing the risk in entrepreneurial activities, which is the basis for achieving qualitative shifts. In order to overcome the negative tendencies associated with the possibility of risk occurrence, and to direct the socio-economic process in the right direction, giving it dynamism and proper structuring, it is necessary to consider the specifics of forming a competitive insurance market with greater attention than before, to ensure a stable legal field for insurance business. Insurance, as the main method of risk management, provides a real opportunity for the implementation of large-scale projects, creates economic prerequisites for a continuous reproductive process. Insurance provides compensation for damages, creates mechanisms for their prevention and reduction.

³ Karen A. Horcher and John Willey "Essential of Financial Risk Management" Total number 257, Page 17 Published

⁴ Daniella van Well-Stam "Project Risk Management" Total number 180, Page 6. Published 2004

⁵ Michael Frenkel and Ulrich Hommel, "Risk Management Challenge opportunity" total number 838, Page 594 Published 2004

To summarize Classification of risks for grouping people with similar risk characteristics fundamental for any real insurance system. This is done to determine the average cost of a claim and apply these averages to individual risks. If it is necessary to provide a possible insurance system, those who design, manage and regulate Risk classification systems must recognize the three main objectives of such systems: protect the financial stability of the insurance system. The balance as the risk classification designers it is not always easy to pursue these basic goals, but these legitimate needs are in public interest and are not incompatible. It must be recognized that any risk classification system is only part of the whole insurance structure and does not work in a vacuum. Many factors that the design of the system and its effective use include many of the Statement of principles.

1.2. Classification of financial risks.

Financial risk arises⁶ in the process of the enterprise's relations with financial institutions (banks, financial, investment, insurance companies, stock exchanges, the causes of financial risk are inflation factors, growth of bank discount rates, a decline in the value of securities, financial risks associated with the possibility of the company failing to fulfill its financial obligations. The main reasons for financial risk are: the depreciation of the investment and financial portfolio due to changes in exchange rates, non-execution of payments

Financial risks are divided into two types:

- Risks associated with the purchasing power of money;
- Risks associated with investing capital (investment risks).

The risks associated with the purchasing power of money include the following types of risks⁷: inflationary and deflationary risks, currency risks, liquidity risk. Inflation means a depreciation of money and, consequently, a rise in prices. Deflation is a process that is opposite to inflation, it is expressed in the reduction of prices and, accordingly, in the increase in the purchasing power of money. Inflationary risk is the risk that, with the growth of inflation, the money income received depreciates from the point of view of real

⁶ Dun and Bradstreet "Financial Risk Management" total number 244, Page 12, Published 2006

⁷ Steve L. Allen "Financial Risk Management" total number 608, Page 3, Published 2012

purchasing power faster than it grows. In such circumstances, the entrepreneur bears real losses.

The deflationary risk⁸ is the risk that, with the growth of deflation, the price level falls, the economic conditions of entrepreneurship deteriorate and incomes decrease. Financial risk is a function of time. As a rule, the degree of risk for a given financial asset or option of investing capital increases in time. For example, the losses of the importer today depend on the time from the moment the contract is concluded to the payment term for the transaction

To summarize all organizations, face financial risks and achieve their goals and in some cases even their survival depends on how well they manage these risks. Therefore, it is extremely important to create a structure that facilitates identification and quantification the main types of risks to which the firm is exposed, and establishes of the main tools and methods that the firm will use to manage these risks. Importance of financial risk management is supported by very large loss

1.3. Basic methods of risk assessment

The experience of developing market relations has shown that investment is the most important source of economic growth, the financial basis for progress⁹. An objective approach to investment presupposes the need to use scientifically based management mechanisms that ensure maximum consideration of existing risks, analyze the effectiveness of implemented measures and make optimal decisions when implementing investment projects. Despite significant domestic and especially foreign experience of risk management of investment projects, there is currently no scientifically based system for managing project risks. In addition, the growing dynamism of economic processes determines the need to develop and apply new effective risk management mechanisms. That is why the theoretical justification of methodological approaches, the development of scientific and practical recommendations are relevant and significant.

The concept of investment risks

⁸ Philippe Jorion "Financial Risk Management" total number 816 Page 22. Published 2010

⁹ Terje Aven, Enrico Zio "Knowledge in Risk Assessment and Management" total number 360, Page 8

Investment risk is the risk of loss of investment¹⁰, failure to receive full return from them, and an impairment of investments. For a financial manager, risk is the probability of an unfavorable outcome. Different investment projects have a different degree of risk, the most profitable investment option may be the most risky.

The situation of risk is accompanied by three conditions:

- The presence of uncertainty;
- The need to choose an alternative
- An opportunity to assess the likelihood of implementing the chosen alternatives.

The situation of risk should be distinguished from the situation of uncertainty¹¹. The latter is characterized by the fact that the probability of occurrence of the results of decisions or events in principle is not established. The situation of the same risk can be characterized as a kind of uncertainty, when the occurrence of events is likely and can be determined, that is, it is objectively possible to assess the probability of events that are presumably arising as a result of the course of economic activity.

In an effort to remove the risky situation, the subject makes a choice and seeks to implement it. Thus, risk appears¹² as a model of the subject's withdrawal of uncertainty, a way of practical resolution of the contradiction in the unclear (alternative) development of opposing trends in specific circumstances.

Thus, the risk as a situation associated with the existence of a choice from the assumed alternatives has an important property - probability¹³. Probability is a mathematical sign, meaning the ability to calculate the frequency of occurrence of an event when there is a sufficient amount of statistical data. That is why risk cannot be determined through probability (probability is a sign of risk) and the more uncertainty, the missing possibility to determine the probability of an outcome of an event.

Under a risky event¹⁴, one understands that event, from committing or not accomplishing, which accordingly determines the success or failure of the intended enterprise. And since the risk in this case is expressed by the percentage (or quantitative)

¹⁰ H. Kent Baker and Greg Filbeck "Investment Risk Management" total number 672, Page 7 Published 2015.

¹¹ Steven P Greiner "Investment Risk and Uncertainty" total number 608 Page 8, Published 2013

¹² Yen Yee Chong "Investment Risk Management" total number 220 page 9. Published 2004

¹³ Matthew J Hasset and Donald Stewart "Probability for Risk Management" Total number 434 page 1 Published 2006

¹⁴ John Wiley "Modelling Under Risk and Uncertainty" total number 434 Page 3 Published 2012

possibility of failure of a favorable event, the more opportunities exist to foresee whether this event will happen or not, the less the significance of the risk. Thus, the risk cannot be defined as an event. The event - in this case - the condition for the emergence of a risk situation.

Types of investment risks. System and non-systemic risks

It is well known that the implementation of most investment projects in any stock market involves a significant risk¹⁵ of losing part or even all of the invested capital, and the risk of losses is higher the higher the level of investment expected from investment. In this regard, it is extremely important to have a clear idea of the system of risks, which can be called investment risks, and which includes all the risks inherent in investment activities in general

All investment risks¹⁶ are divided into systemic and non-systemic, depending on how wide the range of instruments of the stock market is exposed to the danger of their impact in each specific case. Non-systemic risks are such risks, the impact of which may be subject only to individual securities or small sets of them. These risks are also called the "risk of individual securities" or "unique risk", since such risks are, as a rule, inherent in securities of a particular company or, moreover, only specific financial instruments. For illustration, we can name such risks, which are classified as non-systemic

Risk Analysis and Assessment

Risk analysis¹⁷ - procedures for identifying risk factors and assessing their significance, in fact, an analysis of the likelihood that certain undesirable events will occur and adversely affect the achievement of the project objectives. Risk analysis includes risk assessment and methods to reduce risks or reduce associated adverse effects.

Risk assessment is the quantitative or qualitative determination of the degree of risks.

Losses from risk¹⁸ are independent of each other. Loss in one area of activity does not necessarily increase the probability of loss in another the maximum possible damage should not exceed the participant's financial capabilities. Risk analysis can be divided into two mutually complementary types: qualitative and quantitative. Qualitative analysis

¹⁵ Ian T Cameron and R. Raman "Process systems Risk Management" total number 615 page 13
Published 2005

¹⁶ Wenyuan Li "Risk Assessment of Power System" total pages 325 page 4 Published 2005

¹⁷ Thomas R Peltier "Information Security Risk Analysis" total pages 360, page 4. Published 2005

¹⁸ Simon A and Burtonshaw-Gunn "Risk and Financial Management in Construction" total pages 181
page 13. Published 2009

aims to identify (identify) factors, areas and types of risks. Quantitative risk analysis should provide an opportunity to numerically determine the size of individual risks and the risk of the enterprise.

Qualitative risk analysis

Qualitative risk analysis¹⁹ allows identifying and identifying possible types of risks inherent in the project, and the causes and factors affecting the level of this type of risk are also identified and described. In addition, it is necessary to describe and give a cost estimate of all possible consequences of hypothetical implementation of identified risks and propose measures to minimize and or compensate for these consequences by calculating the cost estimate of these activities. The first step in conducting a qualitative risk analysis is a clear definition of all possible risks of an investment project. Substantial practical assistance in this direction can be provided by the proposed classification of investment risks.

In the process of qualitative risk analysis²⁰, we investigate the causes of the emergence of risks and factors that contribute to their dynamics, then we give a description of the possible impact from the manifestation of risks and their valuation. Since the calculations of the effectiveness of the project are based on the construction of its financial flows, for analysts an important quantitative assessment of the effectiveness of the steps taken at this step, expressed in value terms. In addition, for the analysts, it is also important to evaluate the measures proposed at the next step, to intervene to reduce the negative impact of the identified risks. We must choose the right ways to reduce investment risks, as the correct management of risks that may arise during the implementation of the project and reduce the overall risk of the project.

Quantitative Risk Analysis

Quantitative analysis of the risks²¹ of the investment project involves the numerical determination of the values of individual risks and the risk of the project as a whole. The quantitative analysis is based on the theory of probability, mathematical statistics, and the theory of operations research. The quantitative task consists in the numerical measurement of the impact of changes in the project's risk factors on the behavior of the project efficiency criteria. The most often used in practice are the

¹⁹ Charles Yoe "Principles of Risk Analysis" Total pages 584, page 223 Published 2016

²⁰ John Bartlett "Project Risk Analysis and Management Guide" Total pages 186, page 99

²¹ David Vose "Risk Analysis" Total pages 752, Page 7. Published 2008

following methods of quantitative analysis of the risks of investment projects. The main results of qualitative risk analysis are: identification of specific risks of the investment project and the causes that generate them, analysis and cost equivalent of the hypothetical consequences of the possible implementation of these risks, the proposal for measures to minimize damage and their valuation. Additional, but also very significant results of qualitative analysis include the definition of the boundary values of a possible change of all factors of the project that are checked for risk.

Methods for reducing risks²². All methods that allow minimizing project risks can be divided into the following three groups:

Diversification, or distribution of risks, allowing to distribute risks between project participants. The distribution of project risks among its participants is an effective way to reduce it. The reliability theory shows that with an increase in the number of parallel links in the system, the probability of failure in it decreases in proportion to the number of such links. Therefore, the distribution of risks between participants raises the reliability of achieving the result. The most logical way to do this is to make responsible for the particular type of risk of one of its participants, who has the ability to more accurately and more accurately calculate and control this risk. The distribution of risks is formalized when developing the financial project plan and contract documents. Reserving contingencies is a risk-management approach that involves the correlation between potential risks that affect the cost of the project and the amount of costs needed to overcome project failures. If the project participants are not able to ensure the implementation of the project when a particular risk event occurs on its own, it is necessary to carry out risk insurance. Insurance of risks is, in essence, the transfer of certain risks to the insurance company. The effectiveness of risk reduction methods is determined using the following algorithm: the risk that is of greatest importance to the project is considered; the over expenditure is determined taking into account the probability of an adverse event; a list of possible measures aimed at reducing the likelihood and risk of a risk event is determined; additional costs for the implementation of the proposed activities are determined the required costs for the implementation of the proposed activities are compared with the possible over-expenditure of funds due to the onset of a risk event

²² Thomas Wolke "Risk Management" Total pages 378, page 94. Published 2017.

1.4. Method of Risk Management

Risk management is the processes²³ associated with identification, risk analysis and decision making, which include maximizing the positive and minimizing the negative consequences of the onset of risk events. The project risk management process usually includes the following procedures

The essence, goals and objectives of risk management

The term "management" means²⁴ the management of the economy and the main particles. In other words, management is a set of principles, methods, the means, and forms of production management, insurance, tourism and other activities to increase the efficiency of their work and increase the Profit. Risk management can be defined as one of the main directions modern management, which studies the problems of risk management, in the activities of an independent economic organization. Chief Manager in conditions of uncertainty - not to avoid risk, and anticipate it and reduce possible negative consequences to a minimum level or even excluded. Targeted action to limit risk in the business system determine the essence of risk management.

The application of risk management in modern economic activity, There are three main positions:

- The identification of the consequences of the activities of economic entities in the risk
- The ability to respond to the possible negative consequences of this activities
- Development and implementation of measures by which neutralized or compensated for the likely negative results of the pre-actions.

Risk is a financial category. Therefore, the degree and magnitude of the risk Can be influenced through a financial mechanism. Such an impact is Implemented through financial management techniques and a special strategy. Together, the strategy and techniques and form a kind of mechanism for risk management, risk management. Thus, risk management is a part of financial management

²³ Christopher L Culp "The Risk Management Process" Total pages 624, Page 14. Published 2002

²⁴ John Naylor "Management" total pages 668, Page 5. Published 2004

The basis of risk management lies in its basic laws arising from general management principles:

The law of inevitability of risk is that the activity of any organization is exposed to risk, present in its external and internal environment. In today's business environment, risk aversion is completely, therefore they should be perceived as an objective element of the system management.

- The law of combining potential losses and benefits also corresponds to current situation and confirms the ambiguity of possible economic results, where in conditions of risk there is a possibility both loss and profit.
- The law of direct correlation between the degree of risk and the level of planning income is the direct link between risks and return the higher risk level.

Since risk management affects²⁵ a wide range of activities of the organization, all the indicators used in calculations are appropriate. Different lead in value terms. This will allow to unify the initial factual basis and avoid confusion

To achieve this goal, within the framework of risk management, following main tasks:

- Collection²⁶, analysis, processing and storage of information on the business environment, the conditions of the political, economic, social situation and the prospects for their change
- Development of a model, technology, organization of risk management, policies and algorithms for risk management
- Construction of a system, classification schemes and portfolios of types of risks, taking into account the specifics of entrepreneurial activity of the organizational and legal status of entrepreneurial structures
- The formation of a system of indicators and the development of their calculation models for assessing the degree of entrepreneurial risk, depending on the volume and reliability of available information about the business environment

²⁵ Matthew Whalley "The legal Risk Management" Total pages 232, Page 7. Published 2016

²⁶ Daniel M Byrd "Introduction to Risk Analysis" Total pages 433,Page 23 Published 2000

- Establishment of a hierarchical system of rules for choosing a risk solution for the implementation of a risk management strategy, taking into account the attitude of the business entity to the consequences of entrepreneurial risk
- Determination of the necessary means and techniques to reduce the consequences of entrepreneurial risk to acceptable levels
- the development of a risk management program, the organization of its implementation, including monitoring and analysis of the results obtained
- Organization and maintenance of statistical and operational reporting on risk investments of capital

Risk management for economic content is a risk management system and financial relationships that arise in the process of this management. Thus, taking into account the content and the goal. A systematic approach to risk management is due to the complications of production and economic and financial activities, the growing and sometimes quantitatively uncertain number of sources and the possible consequences of risk. Therefore, before considering the features of risk management procedures, it is necessary to analyze the general principles on which they are based

First, should consider the following properties of the system

Risk management as such.

1-Systemic nature of risk management²⁷. This property is very important, as it implies a comprehensive consideration of the totality of all risks. As a single whole, taking into account all the interrelations and possible consequences. In addition to obtaining a general picture, this allows us to take into account not only the impact, Risk management tools for the risk they are intended to control, but also their impact on other risks, depending on their place and connections within the system, as well as the emergence of new risks. Such a study assumes consideration of such aspects of risk management,

- Integrity, focus on the overall assessment of the set of risks and combat the negative consequences of their implementation, considering the nature of the relationship between these risks

²⁷ Thomas Measham "Risk and Social Theory in Environmental Management" Total pages 232, Page 29. Published 2012

- The ability of the system to integrate new elements, the possibility of a flexible response of the entire system to the emergence of new risks, including those generated by the risk management system itself.

2-The complex structure of the risk management system.²⁸ This property implies not only the need for simultaneous analysis of many risks of different nature, a significant difference of the set of risks, but also the features of the interdependence between risks, as well as the possibility of using it to solve problems of different levels. In addition, it involves studying the nature and extent of the influence of a large number of factors on the development of a risk situation and the occurrence of adverse consequences. In such a study, the following aspects of the risk management system

Multi-functionality and universality, ability to deal with risks of different nature and various consequences of their implementation

- Modularity, the possibility of using different combinations of process control in different situations, which allows you to take into account specific situation and, if necessary, to configure the specified system to solve the individuality of users.
- Multi-level, providing an appropriate hierarchical decision-making structure that ensures an adequate distribution of authority and responsibility.

3- High effectiveness of the risk management system²⁹. This property reflects the ability of the whole set of measures to be reduced. The possibility of unfavorable events and or to overcome their consequences. This system, obviously, must react quickly to changing conditions, it must have developed feedback loops, and in addition, generate and implement effective solutions aimed at achieving the required result quickly enough

To ensure such requirements it is assumed that the risk management system³⁰ corresponds to such aspects such as:

- Flexibility and adaptability, the ability to adapt to rapidly changing conditions, high response speed, the ability to quickly cope with adverse situations

²⁸ Carl L “Risk Management” Total pages 474. Page 10 , Published 2014

²⁹ Peter Edwards “Risk Management in Project Organizations” total pages 198, page 12 Published 2003

³⁰ Chongfu Huang “Emerging Economies Risk and Development” Published 2015Total pages 572 Page 55

- Compliance of implemented risk management procedures for a specific situation, expressed in the ability to promptly disclose all the resources necessary to achieve the goals
- Effectiveness, ability to overcome the negative consequences of the emergence of unfavorable situations with a minimum amount of relevant resources.

As is known, the effectiveness of any activity is defined as the ratio of the effect obtained because of this activity to the costs incurred during its implementation

The risk management system should provide a clean Effect- the cost of risk management and the amount of possible damage after the implementation of risk management procedures and methods should be less than the potential damage before taking measures to protect the company from risk

The basic principles of risk management at the firm level can be the following:

- The risk management system is part of the general management procedures of the firm, which means its compliance with the company's development strategy and Institutional features of its functioning
- The features of the risk management system are reflected in its objectives and tasks, which implies a highly specialized nature of decision-making within the framework of the risk management system
- Risk management process is dynamic, which is associated with continuous nature of decision-making related to risk management

If the firm is oriented to market consolidation, then as the main option of risk management, it may prefer to withhold all or most of the risks.

If the firm is oriented to maintaining a positive image that has developed in the market and maintaining its financial stability, the risk management option may be the transfer of major risks to the external environment.³¹ Such influence is realized not only through the coordination of goals risk management with the mission and objectives of the firm, but also by of the firm to risk.

³¹Jonathan Reuvid "Managing Business Risk" Total pages 400. Page 7 Published 2010

Among the main options for risk management at the organization level, the following:

- Cautious (conservative);
- Weighted (moderate);
- Risky (aggressive).

The choice of the appropriate option will be determined by the company's strategy³². So, if the firm is focused on conquering the market, it will prefer a risky or weighted option of risk management. If the company is focused on maintaining its current position in the market and ensuring its financial stability, its choice will be in favor of a balanced or cautious option. A cautious risk management option is chosen by the firm if its management prefers to minimize the risk of bankruptcy, loss of planned income or profit, appearance and or increase in additional costs. On the one hand, this is understandable. However, one must bear in mind that often more risky strategies allow a firm to break out of the general environment and master a new efficient market. The relationship between the development strategy of the firm and the management system risk is manifested not only in the fact that the former defines the second, but also in the presence of feedback, the choice of a management option risk may require some adjustment of the strategy or preliminary consideration of certain risks in its creation

The main goal of the risk management system³³ is to ensure the successful operation of the company in a risk and uncertainty environment. It means that even in the event of economic damage, the implementation of risk management measures should enable the firm to continue operations, stability and sustainability of the corresponding cash flows, maintain the company's profitability and growth, and achieve other objectives. Thus, the risk management program, being built into the general system of making managerial decisions, bears official, subordinate the nature of the main activity of the company. Goals and objectives the risk management system must be aligned with objectives and mission firms, and the proposed methods of combating risks are adequate to the business of this economic unit.

³²Bloomsbury Publishing "Approaches to Enterprise Risk Management" Total pages 240, Page 102, Published 2010

³³ Allan S "Enterprise Risk and Opportunity Management "Total pages 360 Page 285 Published 2017

Risk management includes strategy and tactics of management

A management strategy³⁴ is understood as the direction and method of using the funds to achieve the goal. This method corresponds to a certain set of rules and restrictions for making a decision. Strategy it allows us to concentrate our efforts on solutions that do not contradict adopted strategy, discarding all other options.

Risk Management includes the following structural components:

- The environment
- Subject of management (control subsystem)
- Control object (managed subsystem)

The environment unites all that is not directly included in the system³⁵: state bodies, cooperating enterprises and organizations market conditions resources of an economic entity

1- In particular, the state through the legislation forms, regulates and supports the organizational and legal field of entrepreneurial activity. Directly executive authorities through the system of principles of their policies determine the rules for the implementation of entrepreneurial activities in the form of money circulation, the tax system, tariffs and excises.

2- The subject of management managing subsystem is a group of specialists financial manager, risk manager, risk capital investment department, insurance business sector, which based on the information obtained, using models, methods and techniques of risk theory, defines goals, objectives, develops strategy and tactics risk management based on the concept of an acceptable level of risk . As a rule, a management entity represents an autonomous management model, since it independently forms the purpose of risk management. The lack of information or its insufficient quantity causes uncertainty of the business environment and forces the subject to take the risk

The object of management³⁶ (managed subsystem) in risk management is risky capital investments and financial relations between business entities in the process of implementing the chosen solution. These include relations between the borrower and the creditor, between entrepreneurs, the insured and the insurer of the Managed Variable is

³⁴Philip Sadler "Strategic Management" Total pages272 Page 23 Published 272

³⁵ F.K.J Derkinderen "Risk Capital, Costs and Project Financing Decisions" Page 5. Published 2012

³⁶ Deryl Northcott "Capital Investment decision making" Total pages 208Page 2. Published 1992

the calculated value - the degree of risk, which is expressed by some indicator of the risk assessment the process of the subject's influence on the object of control, the process itself control, can be carried out only under the condition of circulating certain information between the control and controlled subsystems. The management process, regardless of its specific content, always involves the receipt, transmission, processing and use of information. In the risk management, obtaining reliable and sufficient information in the given conditions plays a major role, since it allows us to make a specific decision by actions and market conditions.

Forecasting in risk management is the development for the future of changes in the financial condition of the facility and its various parts³⁷. Forecasting is the anticipation of a certain event. It does not set the task of directly implementing on practice developed forecasts. A special feature of forecasting is also the alternative in the construction of financial indicators and parameters, which determines various options for the development of the financial state of the management object based on emerging trends.

The organization in risk management³⁸ is an association of people who jointly implement the risk capital investment program based on certain rules and procedures. This includes the creation of management bodies, the construction of the structure of the administrative apparatus. Establishing the relationship between management units, the development of norms, regulations, and methodologies. Risk management has certain risk management capabilities. They consist of means for resolving risks and techniques for reducing risk. Means of risk resolution include: avoidance of risk, transfer of risk. The main methods of reducing the risk include: diversification, limitation, insurance, hedging, and reserve funds to cover unforeseen expenses Risk management can be identified as an independent form of entrepreneurship. As a form of entrepreneurial activity, risk management means that risk management is a creative activity, carried out by a financial manager. Therefore, risk management can act as an independent type of professional activity. This type of activity is performed by professional institutes of specialists, insurance companies, as well as financial managers, risk managers, insurance specialists

³⁷ Ser-Huang Poon "A Practical Guide to Forecasting Financial Market" Total pages236 Page 129. Published 2005

³⁸ Margaret Woods "Risk Management in Organizations" Total pages192 Page 13. Published 2012

1.5.Risk Management Process

The theory of risk management assumes an integral system of knowledge that characterizes the logical dependence and the relationship between income and financial stability, taking into account the permissible limits of the consequences of risk, which together provide achievement by subjects of entrepreneurship objectives³⁹. In the modern economy there are no absolute solutions risk problems. The methods and methods of managing them depend on the nature of the activity. Not all risks can be unambiguously assessed. In a number of moments, methods are developed and frequently used in which the risk is calculated, evaluation. As for the results of business in general, then the entrepreneur is forced to study the risk arising in the production, purchase, sale of products

In this case, the degree of risk depends on the quality of management the risk must necessarily be calculated to the maximum allowable limit, it requires constant adjustment of the system of actions from the standpoint of achieving the set goal. In domestic economic literature, the problem of economic Risk⁴⁰ was given significantly less attention. This is due to the fact that in the conditions of a planned economy, the presence of uncertainty and risk was considered impossible. The transition to a market economy leads to the need to adapt existing standard methods, and in fact, to the creation of a new methodological support for the assessment and management of business risk, in the development of which it is necessary to use the achievements of several areas of modern research the main system approach in risk management is the process management. The management process is the methods, ways and order of the implementation of certain stages and actions, the realization of which allows achieving the set goal. In fact, control technology is possible to structure the management process to identify individual elements and determine the relationship between them

In general, the risk management process is the implementation of three blocks: identification and analysis of risk⁴¹, its evaluation and development of measures for its leveling or risk control The entire management process is carried out in accordance with the pre-set goal, which represents the model of the future result of entrepreneurial activity and involves the selection of a specific set of resources and methods (methods) for using them to obtain the required result for the reasons and risk factors (risk situation) under

³⁹ Marvin Rausand "Risk Assessment" Total page 664, Page 9, Published 2013

⁴⁰ Holger Schutz "Comparative Risk assessment" Total pages 229Page 15. Published 2006

⁴¹Andy Garlick "Estimating Risk" Total number 240 Page 26. Published 2007

consideration. As a goal of risk management, a certain amount of income or profit may come, a return on invested capital The first stage of risk management is the identification and identification of factors and the causes of risk and the definition of their relationship. The main purpose of risk identification is the formation of decision-makers in a decision, an integral picture of the risks that threaten the company's business, the life and health of its employees, the property interests of the owner's shareholders, arising in the process of relationships with customers and other counterparties, the rights of third parties In this case, not only the list of risks is important, but also the managers' understanding of how these risks can affect the firm's performance and how serious the consequences will be, a risk management system will be properly organized, which will provide an acceptable level of protection for the company against these risks. The basis for identifying risk factors are the characteristics and specificity prospective entrepreneurial activity and business environment. Identification of risk factors is performed to determine the reasons risk and the further degree of danger and determine the possibility of influence and management of analyzed risks. Identification of risks should, their specificity, conditioned by nature and other characteristics of risks, highlighting the features of their implementation, including the study of the amount of economic damage, as well as the change in risks over time, the degree of interrelation between them and the study of the factors affecting them.

Risk assessment is an important stage in management technology risk⁴². It is at this stage that the views of the person making a decision on the degree of danger of a particular risk situation are formed. In other words, at the stage of evaluation, the subject gets an answer to the question: how dangerous is this and what actions were taken to neutralize a specific risk. In general, the assessment can be presented as a set of regular procedures that allow one to identify, from a set of identified risks, the most important activities, to determine the extent of the consequences of the occurrence of risk factors. When building a risk assessment system, it is necessary first of all take into account the circumstances associated with obtaining the necessary information for taking appropriate decisions. Full uncertainty when information about a risk situation is completely absent, but there is the possibility of attracting experts and experts to partially remove the uncertainty. Risk management as a key tool aimed at improving the efficiency of operations. Risk management is one of the key tools aimed at increasing the efficiency of managers'

⁴² Glenn Koller "Risk assessment and Decision Making business industry" total pages 256 Page 11. Published 1999

programs that they can use to reduce the cost of the product life cycle and to mitigate or avoid potential problems that could hamper the success of the company's operations. Achieving the objectives of the enterprise requires specific representations about the main type of activity, production technologies, and the study of the main types of risks. Preventing risks and reducing losses from exposure leads to sustainable development of the enterprise.

Risk management - a contribution to sustainable development⁴³, is an essential factor in maintaining and enhancing the stable operation of the enterprise. Active risk management is critical to the management process, in the direction of confirming that the risks are handled at an appropriate level

Planning and implementation of risk management includes the following stages

- Management of risks;
- Identification of risks and their impact on business processes;
- Application of qualitative and quantitative risk analysis;
- Development and implementation of plans for responding to risks and their implementation;
- Monitoring of risks and management processes;
- The relationship between risk management and performance;
- Assessment of the overall process of risk management

Development of a risk management program in the enterprise

Consider the risk management policy that should be applied in the enterprise. The developed mechanism should be aimed at effective and continuous risk management. Thus, early, accurate and continuous identification and risk assessment are encouraged, and the creation of information transparent risk reporting, planning measures to reduce and prevent changes in external and internal conditions will have a positive impact on the program.

⁴³ Michael T. Carpenter "The Risk-Wise Risk Management Planning Process" Total pages 288 Page 4. Published 2010

The process of risk management⁴⁴ must meet several requirements: it must be flexible, proactive, and should also work towards ensuring conditions for effective decision-making. Risk management will affect risks by:

- Encouraging the identification of risks;
- Decriminalization;
- Identifying active risks
- Identify opportunities- Assess the likelihood of occurrence and severity of the impact of each identified risk;
- Determining appropriate actions to reduce the possible significant impact of risks on the enterprise;
- Developing action plans or steps to neutralize the impact of any risk that requires mitigation;
- Continuous monitoring of the occurrence of risks with a minor degree of influence at present, which may change over time;
- Production and dissemination of reliable and timely information;
- Facilitating the interaction between all stakeholders of the program.

In conclusion, the process of risk management will be carried out on a flexible basis, considering the circumstances of each risk occurrence. The main risk management strategy is to identify the most important areas of risk events, both technical and non-technical, and take the necessary measures in advance to deal with them before they have a significant impact on the enterprise, causing serious costs, reducing product quality or productivity.

For the second part of my thesis I'm going to analyze technique of risk with international companies will be identify how they are handling with risk.

⁴⁴ Marco Alexander and Caiza Andresen "The Process of Risk Management for Projects "Total pages 36 Page 4. Published 2007

CHAPTER – 2. THE ANALYZE OF RISK MANAGEMENT IN INTERNATIONAL COMPANIES AROUND THE WORLD.

2.1. Risk Management System of “GAZPROM”

Gazprom Oil's goal in risk management is to increase the effectiveness of management decisions through the analysis of the risks that accompany them, and to ensure maximum effectiveness of risk management activities in the implementation of decisions taken.

Risk management is built on the principle of integrating risk analysis and management tools into key corporate processes. Responsibility for risk management and reporting on them is determined in accordance with the system of linear and functional management. For each risk, the owner responsible for its management is appointed. At the level of each function and key business process, risk coordinators are identified among managers who disseminate and support the application of corporate risk management principles. Terms and tasks for risk analysis consider the specifics and requirements of each business process, at the level of which risk management is carried out. This approach allows us to create risk areas for risk management and monitor risks at all levels of the Company's management, as well as ensure the development of targeted plans for responding to significant risks in each subsidiary company and Gazprom Oil in general⁴⁵.

Objectives in the field of risk management:

- Formation of a risk management culture in the Company to achieve a common understanding among management and employees of the basic principles and approaches to risk management
- The formation and implementation of a systematic approach to identifying and assessing the risks inherent in the Company's activities in general, and in specific areas of its activities
- Encouraging the exchange of risk information between the Company's structural units and the joint development of risk management activities
- Providing systematic information about risks to the Company's management bodies.

⁴⁵ Official web page of “GAZPROM” (Research available) <https://ar2016.gazprom-neft.ru/government-system/risk-management/system>

To achieve this goal, the Company has developed and uses a unified approach to the risk management process, which, in conjunction with standardized tools and methods of risk analysis, is formed by the Integrated Risk Management System.

Normative and methodological basis Integrated Risk Management System includes the following documents:

- Policy in the field of risk management
- Standard of the Company "Integrated Risk Management System"
- Methodical instructions for the risk management process
- Additional methodological documents on specific types of risks, as well as on the use of individual risk analysis tools.

Risk management is an integral part of Gazprom Oil's internal environment and includes:

- Introduction of a risk-oriented approach in all aspects of production and management activities
- Systematic analysis of identified risks
- Building a risk management system and monitoring the effectiveness of risk management activities
- Understanding by all employees of the basic principles and approaches to risk management adopted by the Company
- Provision of the necessary normative and methodological support
- Distribution of authority and responsibility for risk management among the Company's structural divisions.

Table 2.1. The process Integrated Risk Management System Gazprom Oil Group⁴⁶

Detection(Revision) Risks At least once a year	Qualitative and Quantitative risk assessment At least once a year	Development of management activities At least once a year	Monitoring Activates At least once a year
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Development of Integrated Risk Management system

⁴⁶Official web page of "GAZPROM" (Research available) <https://ar2016.gazprom-neft.ru/government-system/risk-management/system>

The Company constantly extends the methodology of the Integrated Risk Management System, which includes general recommendations on the quantitative assessment of the risks of project planning and business planning, as well as detailed methods for assessing the most significant risks.

As of the end of 2016, Integrated Risk Management System covers all significant assets of Gazprom Oil, when starting new projects or acquiring existing assets, they are included in the perimeter of the Integrated Risk Management System. In 2017, it is planned to continue developing normative and methodological documents on the analysis of certain significant risks and integrating risk analysis into decision-making processes, and to expand the training program for managers and employees of the Company on risk management tools and methods.

The Company has developed and formalized a unified approach to the risk management process within the framework of the Integrated Risk Management System (IRMS) standard⁴⁷. In Gazprom Oil is a systematic, ongoing process of identifying, assessing and managing risks. The key approach of the IRIS is the distribution of authority over management levels in the Company, depending on the financial impact of the risk.

At the end of 2011, the Company implemented the core IRMS processes in the majority of significant, which allowed the formation of a detailed Corporate Risk Map for 2011 through the consolidation of risk events from the level of individual of the Company as a whole. In 2012-2014 years. The portfolio of the IRMS perimeter was expanded, as of the end of 2014, the IRMS covered all significant assets of Gazprom Oil, and further expansion is planned when new projects are launched, or existing assets are acquired. This approach allowed us to create areas of responsibility for risk management and monitor risks at all levels of the Company's management.

The normative and methodological framework of the IRMS includes the following documents:

- Policy in the field of risk management;
- The Company's Standard "Integrated Risk Management System." The procedure for identifying and assessing risks, developing measures for risk management, monitoring their implementation

⁴⁷ Official web page of "GAZPROM" part of Risk Management System <http://ar2014.gazprom-neft.ru/corporate-governance/risks/management/>

- Methodical instructions for the risk management process, including Registry templates, Cards and Risk Matrices.

The company continuously improves its approach to the basic processes of the IRMS, including paying attention to improving the approach to risk assessment and integrating the risk management process into key processes such as business planning, project management,

To enhance the effectiveness of the IRMS processes in 2014, Gazprom oil continued work on the project on automation of the IRMS, which began in 2013. By the end of 2013, the first stage was completed, which allowed the creation and launch of a single base data on the Company's risks. During 2014, it was filled with up-to-date information, user training was conducted, and reporting formats were developed for the Company's managers.

Risk management is an integral part of Gazprom Oil's Internal Environment, which includes:

- Introduction of a risk-oriented approach to all aspects of production and management activities
- Systematic analysis of identified risks
- Building a risk management system and monitoring the effectiveness of risk management activities
- Understanding by all employees of the Company of the basic principles and approaches to risk management adopted by the Company
- Ensuring the necessary normative and methodological support

Risk management objective

The Company's⁴⁸ goal in the field of risk management is to improve the effectiveness of management decisions by analyzing the risks that accompany them, as well as ensuring maximum effectiveness of risk management activities in the implementation of decisions taken.

⁴⁸ Official web page of "GAZPROM" part of Risk Management System <http://ar2014.gazprom-neft.ru/corporate-governance/risks/management/>

This goal will be achieved through the implementation of the following tasks:

- Formation of a risk management culture in the Company to achieve a common understanding among management and employees of the basic principles and approaches to risk management
- The formation and implementation of a systematic approach to identifying and assessing the risks inherent in the Company's activities both in general and in specific areas of activity
- Encouraging the exchange of risk information between the Company's structural units and the joint development of risk management activities
- Provision of systematic information on risks to the Company's management bodies

Integration of IRMS with business planning and management of projects

Risk assessment in the reporting year has become an integral part of the business planning process. One of the main differences between business plans for 2015-2017. Is a more detailed approach to risk assessment: existing assessments and descriptions of risk factors were reviewed at the level of subsidiaries, considering changed conditions and new plans, and information on the most significant risks of subsidiaries, as well as on measures to reduce them was included in the relevant business -plans

As part of the integration of risk management with the Company's project management processes primarily major exploration and production projects in 2014, a full-scale implementation of the project risk analysis methodology developed in 2013. At the same time, several risks- to identify the risks associated with the management of large projects of the Company. As a result, it became possible to prepare project plans primarily calendar schedules, which are balanced from the point of view of the correlation of the goals set and the level of uncertainty (risks).

2.2 Risk Management process of Coca-Cola

Even a cursory look at the situation around Coca-Cola gave grounds to believe that the company was faced with the need to search for new alternative types of packaging and materials used for its production⁴⁹. An analysis of the company's chances and risks has shown that the main problems that Coca-Cola will sooner or later face are: legislative restrictions on environmentally hazardous packaging and the associated difficulties in replacing the technological process for the production of cans negative criticism from some political, public and environmental organizations, leading to a deterioration of the company's image; decrease in turnover and sales due to deterioration of the image. At the same time, the introduction of a new canister, which is as safe as possible for the environment, would strengthen the shaken image of Coca-Cola and demonstrate the company's concern for the protection of natural values. Thus, the main advantage of potential changes in the field of packaging, is to consolidate new positions in the market, gaining confidence in the consumer, oriented in its behavior to reduce the harmful impact on the alkaline environment. As an alternative to disposable packaging, the idea of switching to reusable plastic bottles was discussed. Previously, enterprises traditionally used only reusable glass bottles. Replacement of reusable glass bottles with similar plastic in the medium term also promised increased sales and increased confidence from trading partners. The only problem in this case would be a significant increase in this type of packaging for a short period of time. If you want this to be done, then Coca-Cola would incur an invasion because of the loss of support for the proportion of users.

Organization of a new system.

The acquisition of new machines for bottling and washing containers for a short time is hardly possible even for such a giant as Coca-Cola. Thus, Coca-Cola was under a tangible financial burden. A certain risk for Coca-Cola was also in the case of many technologies and technologies. Therefore, the market entry of plastic bottles (although reusable) could be "misunderstood" understood. A similar reaction could be expected from the side of trading partners. Therefore, it was necessary to convince partners in the effectiveness and economic feasibility of cooperation with Coca-Cola. Fears also aroused the fact that competitors could very soon follow (by imitation) the innovation of Coca-Cola. In this case, it would not be justified to calculate that Coca-Cola appears to the

⁴⁹ Analysis of chances and risks of Coca-Cola. http://knigi.link/ekologicheskiy-menedjment_1361/analiz-shansov-riskov-coca-45019.html

environmentally conscious consumer and the public as a pioneer and active promoter of environmental protection in the production of soft drinks. The main danger of this kind was, of course, from the main competitor Coca-Cola concern Pepsi-Cola. Let's imagine the chances and risks of Coca-Cola using a table known from strategic management

Table 2.2. Matrix of chances and risks of Coca-Cola⁵⁰

External factors	Chances	Risks
Legislator	Potential claims from the authorities can be prevented through active environmental strategy; demonstration of voluntary environmental policy expands the scope of potential activities	Legislative regulations regarding the mandatory use of reusable glass bottles; prohibition of the use of disposable plastic bottles
Public	Improvement of the company's shaken image Improving the recycling system of used packaging will increase the confidence in the company's environmental activities	Political debate about plastic disposable bottles harms the image of the firm
Consumer / Resellers	Profiling as a pioneer in the use of environmentally safe one- and multi-use packaging; use of environmentally safer cans of homogeneous metal opens up new market segments;	Possible difficulties with the approval of trading partners to create a second system for the return of packaging (glass and plastic); the consumer perceives a tare return system

⁵⁰Analysis of chances and risks of Coca-Cola. http://knigi.link/ekologicheskij-menedjment_1361/analiz-shansov-riskov-coca-45019.html

	combination of preferences and environmental benefits of a tare return system	primarily as a reusable use of glass bottles; Glass containers are associated with a lesser load on the environment
Research and development work	There are opportunities to create a series production and recycling system for cans of homogeneous metal	New production technologies allow producing lighter and unbreakable glass bottles

2.3 Risk and Integrated Management System of ExxonMobil

Every operational decision made by ExxonMobil is made within the framework of an integrated management system for its activities⁵¹. These principles are enshrined safety, health and environmental guidelines and product safety guidelines. They are implemented in practice within the framework of an integrated management system called the Operational Reliability Management System. In order to reduce the risks inherent in business, ExxonMobil's EMSO structure establishes uniform requirements for all company projects in all regions of the world.

Leading role, dedication and responsibility of the company management

Management defines policies, sets common goals and requirements, and provides resources for successful action. Ensuring the reliability of operations requires an explicit and visible leadership role and commitment of management, and reporting at all levels. Operational reliability management systems are installed, brought to the general knowledge and maintained at each level of the organization. Through their actions, managers and managers visually demonstrate commitment and personal responsibility for the reliability of operations. They help create an open and trustful atmosphere and are aware of the impact of their own behavior on others

By providing important information for decision-making, comprehensive risk assessment helps reduce the level of risk in the areas of safety, health and the environment and minimize the consequences of accidents. Risk reduction is provided by identifying

⁵¹ Official web page of Exxonmobil <http://www.exxonmobil.ru/ru-ru/company/about-us/safety-and-health/operations-integrity-management-system>

hazards, assessing the consequences and the extent of their probability, selecting and implementing mitigation measures. In order to identify and eliminate potential hazards for personnel, facilities, population and the environment, the risks associated with current operations, projects and products are assessed. Periodic risk assessments are conducted by qualified specialists, including, if necessary, experts from other parts of the company. The risk assessment is specified at regular intervals and as changes are introduced. The results of the risk assessment are considered by the management of the established level in accordance with the nature and extent of the risk; the decisions taken are clearly documented. The order of the further actions providing realization of decisions on decrease in risks is established.

2.4 Risk Management of PTT Oil Company

The PTT recognizes the importance of risk management under uncertainty⁵². Risk management is an important component of every business process, interconnected. It is defined as an enterprise risk management policy that all employees must comply with. A Risk Management Committee was appointed. Act in the development of policy. Risk management structure Control and support the implementation of corporate risk management in accordance with business strategies and objectives. Taking into account changing circumstances both inside and outside, with constant analysis of the environment, such as political uncertainty. The demand for oil and oil products is fluctuating. Different expectations of stakeholder groups. Changes in the rules and regulations. Technology achievements Include recommendations on monitoring and evaluation of risk management in the Committee on Enterprise and Risk Management. To achieve maximum efficiency and consistency with the principles and practice of group management. The report is also presented. Corporate Risk and Risk Management Committee (CPRC), Corporate Risk Management Committee Audit Committee And the Board of Directors monitors the process that the PTT has created to analyze and comment on how to improve the effectiveness of risk management on an ongoing basis. Quickly respond to risks and be prepared to support business risk in all aspects.

⁵² Official web page PTT sustainability <http://www.pttplc.com/en/Sustainability/PTT-Sustainability/Governance/Pages/Risk-Crisis-Management.aspx>

PTT has set up a risk management framework and procedures in line with the Committee of Sponsoring Organizations of the Treadway Commission COSO, Risk Management (ERM), Principles and Guidelines to enable the stakeholders to understand the principles of risk management and to apply them appropriately. Corporate risk is managed through the Board of Directors. The scope and responsibilities of the system. Business-level and line-of-business risks are governed by the responsible management. It is the responsibility of all agencies to manage the risk to an acceptable level.

Corporate Risk

PTT's risk management process is designed to be linked to the strategic planning process at each stage. Risk analysis and assessment. To organize corporate risk that aligns with corporate goals and strategic plans every year. Including the expectations of various stakeholders. Economic outlook Political situation And the major social and environmental changes to corporate risk management. The main risk factors are as follows. Strategic risk Risk from business operation Risk in operation And financial risk. This may affect the performance of employees, customers, business partners, reputation, public organizations, and the environment. Also consider risk from common events. Emerging risks And if that happens, it will cause serious damage and impact on the business. Risk owners will develop risk management plans and set risk indicators. Follow up and report to Board of Directors, Enterprise Plan and Risk Management. Corporate Risk Management Committee And the Audit Committee in accordance with the procedures prescribed by PTT. Emerging Risk Management

While today's businesses rely on technology to innovate, improve productivity, and increase customer relationships through social media marketing, cybersecurity risks are never as close as they should be. Companies are using different methods to strengthen their data security and keep valuable information and assets away from cyber criminals. As the national energy company, It is committed to providing long-term energy security to Thailand and equally to all stakeholders, as well as to cybersecurity. With the company's commitment to promoting digital strategies for its use of development technologies, such as social media and Internet technology (IOT), to realize the value and improve efficiency, we recognize that cyber threats are becoming a threat. Information and Infrastructure

PTT uses the ISMS (Information Security Management System) framework to create effective protocols for cyber security within the organization. In addition, PTT⁵³. There are also activities to ensure that data security is important. Those actions include:

- Annual monitoring by third parties to ensure that approach complies with international practices.
- Risk assessment to assess IT systems for further improvement.
- IT security programs in various ways increase awareness and educate employees. Data security issues (e-learning, infographic, animation, seminars/events, report reports.
- Orientation program is an introductory course for new employees.

PTT Risk culture

All employees are key to effective management and risk management. Therefore, the knowledge and understanding about risk management system and business continuity management system has been introduced. This program includes the selection of knowledgeable employees in risk management, risk culture creation for employees at all levels, roles, responsibilities, and support for involved employees to participate in the risk management plan. Management performance indicators are also used to measure performance and effectiveness

All employees are key to effective management and risk management. Therefore, the knowledge and understanding about risk management system and business continuity management system has been introduced. This program includes the selection of knowledgeable employees in risk management, risk culture creation for employees at all levels, roles, responsibilities, and support for involved employees to participate in the risk management plan. Management performance indicators are also used to measure performance and effectiveness.

Business Continuity Management

PTT has developed a Business Continuity Management System (BCMS) in line with the PTT Group's continuity management standard⁵⁴. This system is under the control of the plan and the Risk Management Committee covers protection, response,

⁵³ Official web page PTT sustainability <http://www.pttplc.com/en/Sustainability/PTT-Sustainability/Governance/Pages/Risk-Crisis-Management.aspx>

⁵⁴ Official web page PTT sustainability <http://www.pttplc.com/en/Sustainability/PTT-Sustainability/Governance/Pages/Risk-Crisis-Management.aspx>

management and recovery and is divided into 3 phases: Prepare a reply, resume and recovery, restore. Constantly changing conditions pose a problem for PTT, where unexpected events such as natural disasters, terrorism and various threats can affect the ability of the PTT to meet its business objectives and destroy operations, leading to loss of assets or life and wide impact on stakeholders. Without the ability to restore business for normal operation, the corporation may not survive. In such circumstances, PTT prioritizes the establishment of coherent corporate governance strategies that include mitigation measures, preparedness and awareness and accountability in accordance with BCMS.

The PTT has developed a safety and emergency response plan, broken down into 4 levels, based on the finiteness of the event. First of all refers to an event that the PTT can react on its own, and which will be controlled by the Emergency Command Center (ECC) configured to resolve emergency events. In the event that PTT requires assistance from external parties at the local, provincial or national levels, an emergency event will be brought to levels 2, 3 and 4 respectively, and the EMC or the Center for Management of Crises (CMC) will be set up for proper management of the conditions. The person in charge is identified and authorized to manage events at each level to ensure effective resolution and effective response to both public and private agencies and neighboring communities. The PTT believes that by implementing such protective measures and developing mechanisms for managing operations and ensuring continuity during a crisis, the organization will be able to continue to build trust between stakeholders and create a competitive advantage in the long term. PTT provides continuous business coordinators in each department to provide important information, including good practices, emergency numbers, temporary work locations, and significant annual changes. Web portals for business security and continuity also serve as a communication channel for risk facts, emergency management and crisis management, business continuity management, and internal and external factors. Externally, so employees can use the knowledge. This channel is also open to public access, which acts as a knowledge base.

2.5 General Motors' Approach to Enterprise Risk Management

This research looks at the General Motors Company⁵⁵ the ERM process was built with the GM concept: for designing, assembling and selling the world's best cars. The

⁵⁵Official Web of "Analytics for Managerial Decision Making"
https://ebrary.net/10091/management/general_motors_approach_enterprise_risk_management

process itself was aimed at identifying and managing key (potential "killer") risks. The ERM team assisted in line management in developing a list of the company's main risks, identifying risk owners, assisting management in developing risk mitigation plans in conjunction with management teams, ensuring ongoing monitoring and reporting to senior management and the board of directors. The volume of GM's initial ERM program was intentionally inconsistent with the typical definition of the ERM comprehensive holistic approach. As a bottom-up implementation, senior management wanted ERM to focus on the elements of risk and opportunity that were most important to the company. We at GM have since expanded our program with additional high-performance features, which are described in detail later in this chapter. In general, the approach was to move away from the typical ERM view, which focuses on "what can go wrong". The company took a more effective look at "what can be done right", focusing on both the opportunities and the risks, so that GM use ERM program for positioning in the industry.

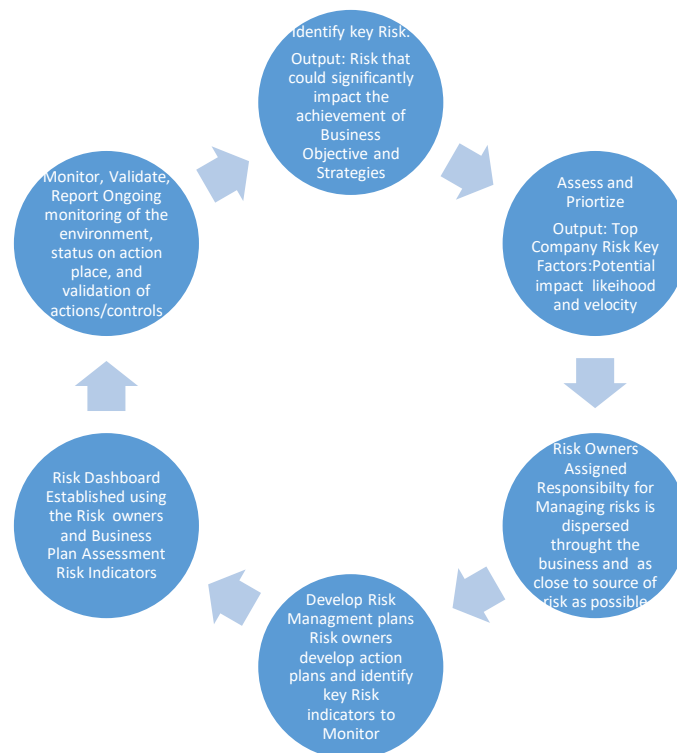


Figure 2.1. GM Risk Management Process

Created by author using information from official web page of the company

A critical success factor, which from the very beginning was part of our program, was the constant identification of several views, including views from sources outside the company, risks that industry and the company may face. In addition to regular meetings with risk officers, GM conducted a number of focus groups and Workshop to gain

insights into potential blind spots and various perspectives on emerging risks. To get this information, GM contacted deep thinkers and broad business people inside and outside of organization and sought out information from a variety of visitors, including Generation college graduates. Just passed and young professionals.

2.6 Risk Management and Internal control of “Lukoil”

The Company has a Risk Management and Internal Control System⁵⁶. Its goal is to provide reasonable assurance of achievement:

- Strategic and operational goals
- Objectives for ensuring the safety of assets
- Objectives to ensure compliance of all reporting forms with established requirements
- Objectives to comply with applicable legal requirements, as well as regulatory documents of organizations of the LUKOIL Group

In order to develop the Risk Management and Internal Control System in 2016, the Board of Directors approved the LUKOIL Policy on Risk Management and Internal Control. The document establishes unified and binding principles for the LUKOIL Group and approaches to its organization. The system of risk management and internal control, its main objectives, as well as the main tasks of the participants. Approach to the organization The system of risk management and internal control is implemented as a system of protecting the interests of the Company, consisting of three lines. The expediency of organizing such a system of responsibility for achieving the goals of the Company is seen in its increased reliability. Risk management and internal control processes are integrated into the activities of LUKOIL Group organizations. The regulatory and methodological framework for risk management establishes the requirements for the organization of the risk management process at all stages of the risk management process and determines the management standards for individual, most significant risk categories. Risk assessment is regularly carried out, information on the risk profile of LUKOIL Group organizations is included in annual reports considered by the Board of Directors and the Audit Committee

⁵⁶ Official web page of Lukoil in Russia <https://csr2015-2016.lukoil.ru/about/risk-management>

The Group has identified the most significant risks affecting the activities of the LUKOIL⁵⁷ Group organizations and carried out a qualitative and quantitative assessment of them, established levels of acceptability for each significant risk, Developed measures aimed at reducing or eliminating their negative impact. The performance and effectiveness of the measures are monitored.

Table 2.3. The protection line stages

Protection line 1	Protection line 2	Protection line 3
Employees of line departments Organization and implementation processes of risk management and internal control within the framework of appointed by him duties	Department of Risk Management and internal control - Center for Responsibility for Development Risk management and internal control system	Internal Audit Service Independent assessment of the reliability and effectiveness of the Risk management and internal control system , development of recommendations for improvement
	Employees of functional units Integration of RM and IC processes in business processes under their functional management, control of compliance with the requirements	

Created by author using information from official web page of the compant

Environmental and Industrial Safety Risks

In the risk management system, environmental risks and aspects and risks of industrial safety were identified. The main risk factors are related to changes in the legislative requirements of the countries of operation, the failure of production equipment, the work of contractors, as well as work in the marine waters and in the Arctic zone. To minimize the likelihood of these risks, the Company has established and

⁵⁷ Official web page of Lukoil in Russia <https://csr2015-2016.lukoil.ru/about/risk-management>

successfully operates a system for managing industrial safety, occupational safety and the environment. Risk management involves taking preventive measures and implementing investment projects that reduce the likelihood of their occurrence. Since 2003, there is a system of insurance protection against risks posing a threat to the business of LUKOIL Group organizations.

2.7 Risk Management system of Nikon

The Nikon Group⁵⁸ set up the Risk Management Committee to deal with the risks appropriately that may have significant impacts on corporate management. This committee covers the entire risk of Nikon Group. It is chaired by the Senior Executive Vice President of Nikon and made up of Executive Committee members, with the Administration Department serving as secretariat. For the year ended March 31, 2017, the committee was held in August 2016 and in February 2017. The Risk Management Committee supervises the risks as a whole, and specialist committees set up to cover risks requiring specialized knowledge. These subcommittees also handle the detailed matters. Business-specific risks are tackled by the respective business division.

Table 2.4. Main Specialist Committees involved in Risk Management

Committee	Main Risk handled
Risk Management Committee	Risk in general
CSR Committee	CSR in general
Business Conduct Committee	Compliance in general
Environmental Committee	Environmental issues in general (climate change, management of chemical substances)
Export Inspection Committee	- Prevention of the Foreign Exchange Law Violation - Security risk management
Bioethics Review Committee	Bioethics

Created by author using information from official web page of the company

⁵⁸ Official web page of "Nikon"

https://www.nikon.com/about/sustainability/management/risk_management

Risk Assessment

The Nikon Group conducts risk identification reviews to obtain an overview of the risks that affect the Group. Last year March 31, Nikon Group conducted a survey focused on management personnel at the level of the general manager and above, as well as the presidents of the Group's companies around the world. After compiling the tables and adjusting the responses to the surveys, the risk assessment was conducted from the company's point of view, in order to identify, analyze and assess the risks. A risk map was then prepared, indicating the impact and likelihood of each risk, in order to compare risk awareness for managers. This risk map is constantly updated and reported to the Risk Management Committee to shed light on the changes that occur year after year. In addition, we organized the training of the Group's companies on competition law to eliminate the risk of possible violations of antitrust laws outside of Japan. This training has proved effective in limiting this risk, as well as in raising awareness about crisis management.

Risk Management for Information Assets

We have built a high level information management system to meet the status of the countries and regions where we operate our business and we protect our information assets from risks such as cyber-attacks, leakages or disasters

Risk Management for Employees Dispatched to Foreign Countries

In 2008, the Nikon Group⁵⁹ adopted management rules for foreign personnel, seeking to ensure the safety of business travelers, recipients and accompanying family members working outside their home country. In particular, in each group of Nikon, a designated chief manager and an officer for foreign risks are posted. The Department of Human Resources of Nikon, as the Office of Foreign Risk Management, establishes and transfers the level of security for specific regions, as well as transmits all necessary information on risks and maintains an emergency contact system. To simplify this policy, we revised it for the year ended March 31, 2017, and reclassified foreign workers as "expatriates and their families sent to work in regions other than their home country." In addition, we have clear measures that must be taken when situations arise that threaten the life or well-being of expatriates, for example, in the case of terrorism, as well as

⁵⁹ Official web page of "Nikon"

https://www.nikon.com/about/sustainability/management/risk_management

measures that must be taken to minimize any harm. In addition, we have released an English version of this policy in addition to the Japanese version.

Management of Security Risks in International Trade

The Nikon Group conducts an educational program for employees aimed at improving the knowledge and understanding of export control personnel. In the year ended March 31, 2017, we conducted training sessions (23 times with the participation of 315 participants) for employees of the Nikon Group in Japan. In addition, by conducting an export control audit for 15 Nikon divisions and 15 Group companies in Japan and abroad, we launched an educational program for expatriate leaders to improve export controls from the Group's companies outside of Japan. In addition, Optos joined the Nikon Group in the year ended March 31, 2016. We are trying to improve our rules and create a management system so that it can carry out export controls in accordance with the standards of the Nikon Group.

Based on the result of the above research, the author learn every company identifies the main types of risks inherent in its business. After carrying out the diagnostics, the risks identified are ranked according to the probability of occurrence and the amount of possible damage, the risks identified are assessed both quantitatively and qualitatively. To quantify the risks, various statistical methods, simulation models, scenario analyzes are used. For the assessment of natural risks, experts' opinions are used, based, for example, on calculations based on historical observations, on the results of accumulated statistical data. Increasing the efficiency of any enterprise is associated with the creation and continuous improvement of the risk management system. To organize enterprise risk management, it is necessary to develop the principles of creation, functions, structure, standard procedures and standard methods of the risk management system. From all above-mentioned author conclude that each of this organization solve the risk problems by the own way. These company have a strong financial position, considerable reserve funds and, nevertheless, be on the verge of bankruptcy. If the available monetary resources are poorly managed by managers or employees of the company are not qualified enough to timely and fully implement the target; if the company does not have good planning, especially perspective, strategic; if the full potential of anti-crisis management is not used, in particular, means of protection from risks, in other words. From the above information, it became known that the degree and magnitude of the risk can be influenced through a financial mechanism through management techniques and a special strategy, which together forms a kind of risk

management mechanism, risk management. An important point in the organization of risk management is to obtain information about the environment that is needed to decide. Based on the analysis of such information and taking into account the risk objectives, it is possible to correctly determine the probability of occurrence of an event, to identify the degree of risk. The goal of risk management is to obtain the greatest profit with the optimum profit-risk ratio acceptable to the entrepreneur.

CHAPTER - 3. THE ANALYZE OF RISK MANAGEMENT IN INTERNATIONAL COMPANIES LOCATED IN LATVIA

In the conditions of market relations, in the presence of competition and occurrence of sometimes unpredictable situations, economic, industrial or commercial activities are impossible without risks. However, the absence of risk, i.e. the danger of unpredictable and undesirable consequences for the business entity of the consequences of its actions, ultimately harms the economy, undermines its dynamism and effectiveness. The normal course of economic development requires a sufficiently complete and diverse "risk stratification", which provides each subject the opportunity to take positions in a business zone in which the degree of risk corresponds to his inclinations and personal qualities. The existence of risk and the changes in its degree that are unavoidable in the course of development are a constant and powerful factor in the movement of the entrepreneurial sphere of the economy. The risk may be large or small, but in any case it is inevitable, entrepreneurial activity is carried out in the conditions of uncertainty and volatility of the market environment.

Risk, being an inseparable part of the economic, political, social life of a society, inevitably accompanies all spheres of activity and direction of any organization that operates under market conditions. In this regard, the main and indispensable criterion for the normal capacity of a modern enterprise is the ability of top management, relying on a strictly scientific basis to predict, conduct prevention, rationally control and effectively manage risks. The risk is connected with management and directly depends on efficiency, validity and timeliness of administrative decisions.

In a market economy, producers, sellers, buyers operate in a competitive environment on their own, that is, at their own peril and risk. Their financial future, therefore, is unpredictable and little predictable. Risk is inherent in any form of human activity, which is associated with a variety of conditions and factors that affect the positive outcome of decisions made by people. Entrepreneurship without risk does not happen.

The greatest profit, as a rule, is brought by market transactions with increased risk. However, everything needs a measure. The risk must necessarily be calculated to the maximum allowable limit. As you know, all market valuations are multivariate. It is important not to be afraid of mistakes in the market activity, since no one is immune from them, and most importantly - to constantly adjust the system of actions from the position of maximum profit. Historical experience shows that the risk of shortage of the intended results is especially evident in the universality of commodity-money relations, the competition of participants in economic circulation. Therefore, with the emergence and development of capitalist relations, various risk theories appear, and the classics of economic theory pay great attention to the study of risk problems in economic activity.

All interview were made by author and in the third chapter is given analyze from the survey. The representatives from several companies are managers of that company.

3.1. The analyze of risk management the company “Roche”

Author of this work had interview with representative of the “Roche” company on 1st of May. The representative is sales manager in this company her name is Evita Bruna. Evita explain me the detail information about risks in this company. The discussion was not only about talking the type of risks in this company but also the problems and regulations and risk controlling process. Below the information about of the company will be described by using the information from official web page of the company.

Roche is one of the leaders in the healthcare market⁶⁰, one of the ten largest companies in the world in the field of pharmaceuticals and diagnosis of diseases. The main goal of Roche is the production and promotion of unique products developed on the basis of innovative technologies that improve the quality of life, significantly prolong, and sometimes save lives for patients. The company's work in the healthcare market is conducted by its two independent divisions: pharmaceutical and diagnostic.

The company was founded in 1896 in Basel, Switzerland, where its headquarters is still located. Today, it has representative offices in more than 150 countries and employs more than 70,000 people. Being one of the leading suppliers of medicines in the field of oncology, virology and transplant ology, the company pays special attention to

⁶⁰ Official web page of Roche <https://www.roche.com/>

combining the effectiveness of its innovative drugs with the convenience and safety of their use for patients. In addition, the company is the undisputed leader in diagnostics, producing laboratory systems including automatic analyzers and reagents for clinical chemistry, hematology immunochemical analysis and DNA polymerase chain reaction (PCR) analysis, as well as portable express analyzers for private use. The below information describes the analyze of the interview with representative of the company.

The representative mention about the important competitive advantages of an enterprise in the market is a quick reaction to all changes, whether they concern the actions of rivals or lawmaking of state bodies. Risk factors are changing and becoming more complex, new, unknown sides and characteristics are revealed. Risks become multifactorial, interdisciplinary, have a number of complex internal dependencies. New computer technologies and the Internet, complex financial instruments (mainly financial derivatives, otherwise called derivatives), changes and shifts in regional climatic cards also lead an increasing number of companies to create specialized risk management services in their organizational structures.

The opinion of interviewer about risk management, the requirements for the corporate governance system as a whole have also grown. For many enterprises, the need for a risk management system has become evident. To prescribe future possible scenarios and determine the boundaries of danger are the main functions that are assigned to qualified risk management services by management and top management of the company in the current situation.

Representative of company mentioned an effective risk management system in this company includes eight main components:

1. The internal environment, largely determining how the risk will be identified and what decisions will be made.
2. The objectives of the company, which must be determined before the risks are identified. (Risk management must ensure that the goals are met.)
3. Detection of adverse events. (This means that all the events on which the fulfillment of the set goals depend, should be analyzed for the existence of risks.)
4. Risk assessment. (The identified risks should be assessed in terms of the likelihood of occurrence of a risk event and possible damage.)
5. Reaction to risk. (The management of the company must determine for itself the possible reaction to risk: to exclude, reduce, accept or share risks.)

6. Business process control, which includes internal policies and procedures that ensure that the adopted risk response strategy is effectively implemented in day-to-day operations.
7. Information and communication. (The necessary information should be collected in a timely manner, processed and transferred to the employees responsible for risk management.)
8. Monitoring. (The risks identified earlier need to be constantly monitored and reviewed if necessary.)

The information about construction of any model is best done step by step is good tool for managing any kind of risk. In this way, from the formulation of the paradigm, the development of the terminology used in practice, the construction of a continuous process of risk management of the company with a certain distribution of responsibility among employees, we come to a deep awareness of the risks and understanding of the opportunities that lie before the company. Technical support at the same time facilitates the most effective functioning of the risk management system in the enterprise

Risk management facilitates sound and consistent decision making at the enterprise, facilitates rapid response to all identified material risks faced by the organization.

Representative from the company mentioned several type of risk in this field, these are following:

- maintains responsibility and reliability in business,
- guarantees the effectiveness of company management,
- secures the success of the enterprise,
- strives for pragmatic solutions,
- helps to reduce the company's risks and their consequences,
- develops mechanisms for the survival of the company,
- Predicts the development of the enterprise taking into account the possible changes in the market situation.

The view of responded on risk management is very important for the successful construction of a risk management system in the enterprise from the first steps to have a clearly defined paradigm underlying any risk management theory. But first, let's define the terminology used. At risk, we mean the probability of an event that adversely affects the achievement of the goals set for the company. Under the opportunity are understood

events with positive consequences. Risk management is the process of identifying and assessing risks, as well as the choice of methods and tools to minimize them.

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Risk management of the enterprise is a unified risk management system at all levels of the organization, which encompasses strategy, processes, people and technology. The objective of risk management at the company is to identify the causes of the risks, the determination of risk factors, assessment of the likelihood of negative

consequences and management strategies aimed at minimizing potential losses. The presence of a single conceptual device facilitates communication and understanding between the different units and structural units of the Company, excluding the possibility of confusion and unnecessary terminology confusion-based communities.

The interviewer says about the strategic management of the enterprise. In fact, this is the process, following which the company systematically analyzes the risks of each type of activity in order to maximize the efficiency of each step of the enterprise. Risk management should be a continuous and evolving process that analyzes the development of the company. Enterprise risk management. The experience of the pharmaceutical company 35 year in the movement, namely the past, present and future of the company as a whole. The effectiveness of risk management largely depends on the methods and methods of control. Continuous proper monitoring of the implemented risk management policy will allow analyzing the effectiveness of the measures used to reduce the level of risk, provide the required level of information, accumulate the necessary knowledge and experience for subsequent decision-making steps in risk analysis and assessment, and develop methods and methods for further effective management. As can be seen from the foregoing, risk management is a well-structured process.

The company do in each division there is a continuous process of identifying risks, an expert assessment of the likelihood of their occurrence and a scenario analysis of the possible development of the consequences for the company from the onset of a risk event. The Risk Management Department collects, analyzes and consolidates information on risks, advising and helping the units to define an action plan aimed at reducing the likelihood of risk, minimizing the losses caused to them, or completely avoiding the company's specific risk. The Risk Management Department thereby monitors the development of risks, constantly updating the catalog of risks faced by the company and its divisions. The Board at least twice a year reviews the risk report prepared by the company's risk managers and together with the Board of Directors, at least once a year, determines the company's inclination and attitude to the risks most likely and most material in terms of possible losses.

In this company author get information about responsibility for risk management rests with all employees of the chain of structural relationships examined. Only with a full, conscious understanding of responsibility is possible to build an effective system of risk management in the enterprise. Awareness of the risks of the company, wide awareness of employees about their development is graphically illustrated and supported

by the creation of risk maps of departments or the whole enterprise, the company's risk catalog. An integrated and effective risk management system is defined not only by its key elements, such as the identification of sources of risk, the development of a risk management policy tailored to the specifics of the business, analytical support and organization of monitoring the effectiveness of the implemented risk management policy, but also the continuity of the constant and automated risk management process. It does not matter at all whether the technical component of the risk management process is based on the simplest questionnaires developed in Excel and Access, or technical support is carried out with the help of a specialized package offered by external IT consultants. It should be remembered that technical support is not an end. It only helps to ensure smooth operation of risk management.

The automation of the processes in this company of identification and planning of the risk response significantly increases the efficiency of the risk manager whose main job responsibilities, in accordance with the Risk Management Standards developed in 2002 by the Federation of European Risk Management Associations (FERMA), are development and implementation of a risk management program, monitoring of its effectiveness, coordination of interaction between various organizational units of the organization, development of a program reducing unplanned losses and measures to maintain continuity of business processes. To talk about a quantitative assessment of risks without using modern information technologies simply does not make sense.

The representative told the author about providing risk insurance and confidence in the future, the company's risk management forms the company's risk management policy and enforces its active and widespread application. However, despite the rich experience and wide practice, the risk management company Roche is in constant development. Evolution of enterprise risk management at all organizational levels of the company (from primary business units to the supervisory board) and in all directions, directly influencing the ERM-system and the idea of risk management, its actions and results

Smoothly there is a change in the enterprise risk management system from procedures, processes and methodology to a single concept. Representations about the role of risk management are also changing from setting operational and tactical goals to developing a strategy and developing common corporate values. Actions on risk management are no longer casual, selective and periodic, but are a coherent and

continuous process. From single projects to manage certain types of risks, the company moves to a comprehensive and comprehensive aggregation of results.

The author can conclude from all above mentioned that in company “Roche” of risk management is conducted on a logical chain from theory to practical application, based on a wide, ramified analysis and possible applications of risk management methods and techniques. The risk management of Roche analyzes the past, answering the question of what is already available and done in the company or its separate division in terms of risk management; tries to look into the future (which is possible and applicable in general), while limiting itself in the present framework of the necessary and permissible for the company. Then, from the set goals and objectives, risk management proceeds to the direct development of specific projects and programs for effective enterprise risk management

3.2. The analyze of risk management the company “Huawei”

The author had a small interview with representative of company Huawei Andrej Špigulis on 2 of May. During the interview representative of Huawei describe me the details of the risks in this company. Moreover representative mention also the problems and rules and the process of risk control. Below, information about the company will be described using information from the official web page of the company.

Huawei is the world's leading provider of info communication solutions⁶¹, whose goal is to enrich people's lives through communication. Thanks to our innovative customer-centered development and a developed partner network, we have achieved high results in the development of telecommunications networks, terminal solutions and cloud computing systems. 180,000 Huawei employees around the world strive to create the most favorable conditions for operators, enterprises and end users, providing them with competitive solutions and services.

One third of the world's population uses our innovative products, solutions and services. One third of the world's population uses our innovative products, solutions and services in more than 170 countries around the world. Founded in 1987, Huawei is a privately held company wholly owned by its employees.

⁶¹ Official web page <http://www.huawei.com>

Huawei applies an internal control system that was formed in accordance with the organizational structure and management model of the company. Internal control and its associated management system are applied to all business and financial processes of the company, branches and divisions. The interviewer says about internal control system of five components these are: general control policy, risk assessment, control measures, internal communications, monitoring. Also Andrej spigulis mentioned that the internal control system includes monitoring of the financial condition to ensure the correctness, integrity and accuracy of financial reporting.

The overall control policy is the foundation of the internal control system. Huawei managed to form a corporate culture based on interaction, compliance with business ethics in accordance with existing norms and rules of law. Huawei has developed a code of corporate conduct, which defines the standards of interaction. In addition, Huawei organizes special training programs to ensure employees understand their obligations and standards of corporate conduct.

The author got information from representative that Huawei has a well-organized management structure with a clear delineation of powers and responsibilities. The structure of the management includes the Board of Directors, the committees that are accountable to it, functional units and multilevel administrative groups. All Huawei groups have clearly defined tasks and responsibilities, which guarantees compliance with the principle of delineation of powers. The head of the financial department of the company is responsible for the implementation of the internal control function

The Business Control Division identifies the processes that need to be improved and informs the CFO about the measures taken to improve the internal control process, and also supports the head of the financial service in developing tools and methods for internal control.

The Internal Audit Department performs independent monitoring and evaluation of the effectiveness of internal control for all areas of operational activities.

However representative says, Huawei has set up a special risk management department to regularly assess potential risks that affect the company's business processes around the world. This department manages significant risks, identifies potential risks caused by changes in the internal and external environment, develops a risk management strategy, and takes measures to minimize their impact. All senior managers responsible for individual business processes of the company also conduct identification, assessment,

manage risk and take appropriate control measures. Evaluation factors include the likelihood of adverse events and the potential impact of the occurrence of risk

Andrejs Spigulis explain to the author that Huawei has created a Global Process Management System (GPMS) and BTMS (Business Transformation Management System), a global BPA (Business Process Architecture) business process architecture and has identified BPA-responsible global business processes GPO (Global Process Owners). During the interview representative gave the information about GPOs, and representative mentioned GPOs are responsible for the formation of business processes and internal control systems:

- key control points for KCP (Key Control Points) are defined, responsibilities are distributed, and authority is divided into each process for all regions, branches and business groups;
- organize a monthly compliance check on all KCP to assess the effectiveness of internal control, publish reports on the results of the audit;
- they optimize processes and carry out internal control in accordance with the company's business plan to improve the efficiency of work and achieve the set business goals;

SACA (Semi-Annual Control Assessment) for evaluation of effectiveness of the overall organization of processes and management for each structural unit and then send a report on the results of the evaluation to the audit committee.

Anrdej Spigulis (representative) says Huawei has created a multifunctional system of information and communication channels to ensure the timely receipt of information from consumers, suppliers and other parties. Also, the company introduced official channels for the transfer of internal information and created an online community Xin sheng community, where employees can exchange proposals and ideas.

The company's management holds regular meetings to discuss working issues with departments of all levels and oversees the implementation of decisions taken. Information about the policy of doing business and company processes can be obtained from the corporate Intranet. Management and those responsible for the processes regularly initiate training programs on business processes and internal control systems to ensure that employees have access to up-to-date information. The company has created a communication system for those responsible for business processes in order to simplify

their interaction with each other, including on the evaluation of the effectiveness of internal control and the subsequent resolution of relevant tasks.

Moreover representative mentioned that The Company has an internal channel for handling complaints, anti-corruption control mechanisms and accounting systems have been launched. The adopted Agreement on compliance with business ethics and good faith conduct clearly stipulates that the supplier can report the inappropriate behavior of a Huawei employee through the feedback channels specified in the agreement.

The Internal Audit Department conducts an independent evaluation of the effectiveness of the company's internal control and investigates all alleged violations of corporate conduct. The results of the investigation and audit are provided to the audit committee and senior management. The author can conclude the information he got from representative, In Huawei, there is a system of evaluation and reporting within the framework of internal control, developed for the GPO and regional managers. The Audit Committee regularly checks the effectiveness of the company's internal control system, reviews reports on control activities and monitors the implementation of the plan. The Audit Committee may send a request to the GPO or top management of each structural unit to provide explanations on the fact of internal control and require appropriate corrective measures to be taken. Also, if necessary, the audit committee may propose to the human resource committee to apply disciplinary measures.

3.3. The analyze of risk management the company “SEB bank”

Skandinaviska Enskilda Banken AB. SEB group is Swedish financial group for corporate customers, institutions and private individuals with headquarters in Stockholm. Its activities comprise mainly banking services, but SEB also carries out significant life insurance operations and also owns Eurocard. The bank was founded and is controlled by the Swedish Wallenberg family through their investment company Investor AB. Author of this thesis made interview with Head of Bank's Financial Services Market Management of SEB bank in Lativa with Andris Larinsh on 3 of May

During the interview author with representative of “SEB Bank had discussion about controlling Risk management and how the company experience it and what kind of risk controlling they use. The representative of SEB bank mentioned the list of risks, these are following: credit risk, operational risk, market risk, liquidity risk, reputation risk,

business risk, strategic risks. The SEB Group's risk management component is integrated into the risk management of SEB bank - methods and tools for risk management and risk analysis are harmonized, and the main risk limits are approved and monitored at the group level.

Operative control of the level of risk guarantees a structured system for limiting risks, covering all the main forms of risk. The function of risk control at the Group level is separated from business structures. Risk reports are regularly provided to the Bank's Management Board and the Risks Committee under the Council, as well as to the European Central Bank under the Single Monitoring Mechanism.

First of all author is going to describe the main risk which was mentioned by representative. Credit risk is the risk that business partners do not settle with the Group in full and on time. The Group's activities on credit risk assessment, decision making and tracking are conducted in accordance with the Credit Policy of SEB Banka, Credit Risk Management Policies, Credit Instructions, Credit Risk Assessment Instructions and other instructions. In the company exists the group of regularly monitors' credit risks by evaluating each business partner and the level of risk of a particular portfolio, setting limits for each borrower, related loan groups, and for individual segments, From representative, author got information that SEB Banka has been authorized by FTCT and the Swedish Financial Inspectorate since 2008 to apply internal ratings to assess credit risk and cover it when it is necessary to justify the capital. To assess the credit risk of corporate clients,

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into the risk management of SEB bank - methods and tools for risk management and risk analysis are harmonized, and the main risk limits are approved and monitored at the group level.

Operative control of the level of risk guarantees a structured system for limiting risks, covering all the main forms of risk. The function of risk control at the Group level is separated from business structures. Risk reports are regularly provided to the Bank's Management Board and the Risks Committee under the Council, as well as to the European Central Bank under the Single Monitoring Mechanism.

First of all author is going to describe the main risk which was mentioned by representative. Credit risk is the risk that business partners do not settle with the Group in full and on time. The Group's activities on credit risk assessment, decision making and tracking are conducted in accordance with the Credit Policy of SEB Banka, Credit Risk Management Policies, Credit Instructions, Credit Risk Assessment Instructions and other instructions. In the company exists the group of regularly monitors' credit risks by evaluating each business partner and the level of risk of a particular portfolio, setting limits for each borrower, related loan groups, and for individual segments, From representative, author got information that SEB Banka has been authorized by FTCT and the Swedish Financial Inspectorate since 2008 to apply internal ratings to assess credit risk and cover it when it is necessary to justify the capital. To assess the credit risk of corporate clients,

The Bank has developed a plan for continuous operation, which is updated at least once a year. The main risks of the Group's operations are covered by the respective insurance policies.

Market risk is the risk of loss or future loss of profit as a result of changes in interest rates, exchange rates and the value of securities (including price risk when selling assets or closing positions). The activities of the Market Risk Management Group are conducted in accordance with SEB Banka's Market Risk Policy and related instructions. In turn, trading activities and investment activities are conducted in accordance with the Securities Trading Policy. The Group uses the "Value at Risk" (VaR) methodology to assess the position of market risks and possible maximum losses, which may change due to fluctuations in the market. VaR is evaluated in a daily mode with a validity level of 99%. This assumption means that daily losses as a result of market risk may exceed the VaR result by an average of one day out of a hundred. In order to limit possible losses

caused by market risk, the Group has set VaR limits, which are reported every month to the Resources Committee. The Group monitors the interest rate risks influenced by the timing of the payment of interest and interest-related assets or the date of revision of rates, using Delta estimates of 1% and the limits set for them. Delta 1% shows how changes in interest rates by 100 basis points affect the Group's profit / loss. The Delta 1% approach is based on the use in the calculations of the volume of balance items that are sensitive to interest rates and positions outside the balance sheet and the revaluation structure. Limits established by the SEB Group's Assets / Liabilities Committee are monitored each month. The Group monitors foreign exchange risks by setting open limits on positions and observing their filling each day. In order to prevent the impact of rising interest rates, prices and currency risk on the quality of the Group's assets, stress tests are routinely conducted, which set limits limiting risks, and detailed action plans to reduce possible losses are being developed.

Last on will be about Liquidity risk, Liquidity risk is the risk of loss or the risk of significantly higher payments, when the Group is unable to meet its payment obligations within a specified time. Liquidity risk management in the Group occurs in accordance with the SEB Bank liquidity risk management policy. To monitor liquidity risk, the Group applies the SEB Group's Liquidity Model and the limits set by the Assets-Liabilities Committee. An integral part of monitoring liquidity risk are regular stress tests, which are conducted based on scenarios approved by the Board.

To overcome the liquidity emergency and restore normal operation, a liquidity continuity plan has been developed that is updated and tested at least once a year.

According to the representative information, conclusion will be the level of risk in the SEB Group is closely related to the level of capital and capital adequacy. Capital adequacy reflects the Group's capital resources necessary to insure against credit risks, activity risks and market risks associated with assets and off-balance sheet items. In addition, the capital necessary to cover business risks is valued and regularly updated. The adequacy of the group's capital and its dynamics is reported to the Assets and Liabilities Committee monthly for the timely adoption and implementation of the necessary decisions in order to maintain capital at a level sufficient to implement the business plan with a certain safety reserve.

3.4. The analyze of risk management the company “International Travel Network”

International Travel Network⁶² (ITN) is a US-based consolidator bringing cost-effective solutions for airlines and vast business opportunities for travel agencies and independent agents. Company unprecedented business model means agents get access to a quality product at great prices and training, while their customers get the best of both worlds: discounted airfares negotiated at wholesale prices and a personalized approach to every single request. Founded in the early 2000s, ITN has grown from a small office in South San Francisco, where the same person took calls and offered itineraries, to a large multinational company with training centers across the world and more than 1,000 contractors and support agents. Currently, they have now 5 branches of this world. Main office located in San Francisco CA, first branch in Riga (Latvia) and second is in Cebu (Philippines) and in Chisinau (Moldova) and last one is Bogota (Columbia). Difference form another Travel Agency

ITN team hovers at around 800 sales subagents from different cultures all around the world and they have a rapidly growing customer base of international travelers. Moreover, company provide full infrastructure such as access to GDS (Global Desaturation system) toll-free number, phone system, CRM (Customer relationship Manager) and developer team support for subagents to make their work productive and comfortable. Take into consideration their products are unbeatable, Exclusive fares with partner airlines allow network of agents to offer them to their customers and keep them coming back for more.

Sales experts don't punch the clock and the reason is simple: subagents oversee how much and when they work, so if you need to combine work with study, love the concept of working from anywhere, or don't like to get up early, you can create your own schedule as an independent contractor.

They are always happy to assist you. From single travelers to big businesses and travel groups, flying all over the world with over 200 airlines, they will make every day lively and different Benefits of working ITN an independent agent can adjust own work-life balance to keep his/her mind healthy and motivation high. Top performing agents get the chance to win free airline tickets and gift cards. And they 24/7 customer service department who can help with anything from tickets exchange, refund, travel enquiries.

⁶² Official web page <https://www.itncorp.com/>

The author got interview from representative of company Mr. Brown on 4th of May. Mr. Brown explain that, the main risk in company agents negotiating with customer only over the phone so that means they never can face the customers and only thing is their voice. Basically, we have payment method by credit card that's high risk we have because nowadays the customers found out a lot of way fraud for example customer simply can buy ticket and later after travel they can easily charge back the money, so the company will go on minus. First of all the main responsible people is Travel agents himself because he is one who dealing with customer but meanwhile company have separate department who called Fraud prevention system here is team of Girls who verifying credit card and verifying sell itself and they totally responsible for that in case here other responsibility need or in case something not verified that will remain on the Supervisor or agents responsibility. Nowadays company in business more than 15 years during that time had found out a lot of way fraud, these days company have pretty much all the way protect themselves from fraud, but anyway as long as believe ITN facing more new ways of fraud but currently 7 % of fraud might be gone and company can go to minus, other 93% of sales ending with success, without any fraud cases.

Mr Brown mentioned about Risk management process, representative said agents dealing with customer over the phone and with email also, and using Gmail to contact with customers, and negotiate with colleague as well, for example whenever the agent made sale he had treat where in a copy will be added supervisor of that agent that fraud prevention system, and whenever fraud prevention making decision all of us receiving and we can see if it is how expect or not.

If situation risky or something not going good, can check it easily, all the information and all the answers goes to the email we aware of what is going on with each sale. Company managing risk fast enough for all the sales because each sale is similar and here is nothing special for each of them, for instance if something is not verified agents and supervisors trying to fix it as soon as possible in case here no way rejecting the sale company not taking the risk. Supervisors will take care for each sale and make decision quick and process with sale. And if agents or supervisors are not sure with case, company have special department who called "Risk Management group" if it will need, can contact with them quickly and take advise.

Representative explain that when Company take responsibility for itself, If fraud prevention system, missed some customer and they close the verified some sale and that sale if its charge back in this situation company will call cover that lost. Because this fault

of company, and also agent deducted profit for this sale. Moreover ITN have automatic system, when authorization form uploaded, the system recognizing name of the traveler, and name of people who paying for ticket, so meanwhile have 3 main ways to verify the sale first one easiest one is a credit card checking thought the bank this fraud prevention team calling with bank and verifying how real customer, asking billing address, security code and if all information goes well, they will issued the ticket as soon as possible. And second way if the flight within 3 weeks that means have enough time to check, usually charge backs are coming in last minute deals, for example departure is tomorrow or after tomorrow if the flight is more than 3 weeks and here is different 3 parties paying for another one. Second one test charge for example putting on the credit card which he used pending charge less than 2\$ in case the cardholder can go and they have access to online banking and they can give to agent test charge which they put.

And last verification is protect company from fraud it called “conference call” this 3 part credit card transaction within 8 weeks and let’s say conference call department call to the bank with customer online and during this call they verifying cardholder, they first reaching customer they asking the approval from customer and proceed with conference call and contact with bank. Whenever they reach bank 3 people on the line Customer, company representative, and also bank representative. During this call they verifying all necessary questions protecting from fraud, asking billing address security codes and bank representative confirmed all the questions, and customer confirmed everything, it means 100% this not fraud. Because usually fraud cases they want pass through conference call. And company prefer this is the best way to protect from risk.

In addition ITN have main risk is charging back the amount which was charged, but the risk the exactly only for the agent is when the fraud prevention telling something not verified but agent really trying to close sale they thinking about only the current situation and they are not thinking that later on fraud might be come up and agent will need to pay by his or her salary. Therefore really important to get approval from fraud prevention will not approve under agent reasonability without the approval either supervisor or manager that is the main risk travel agent have therefore it is always take advice from supervisor or from the manager before they took under responsibility.

For instance if charge back came up, Agents supervisors can treat where they can see each sale and how it was verified unless if this sale took agent’s responsibility and company got charge back for exactly this case it will be deducted from agents salary.

The author can conclude that Company International Travel Network, all the time try to avoid risk before it happen since it comes to agents and also company responsibility, if agent lose profit they will lose their hope and try to look another job, as obviously this is minus for company. Therefore Company all the time really carefully check every situation, and controlling risk with double verification, because for every risk situation can bring to company lots of minuses.

3.5. Comparison of Risk Management of 4 Companies in Latvia (“Roche”, “Huawei”, “SEB banka”, “International Travel Network”)

The Author compare Risk Management system, and process of Risk between 5 different companies. They are: “Roche” “Huawei” “SEB group” “International Travel Network” and

First company “Roche”. Author made analysis about Risk Management of this Company, from the outcome interview the author came up to conclusion. Company Roche regularly review and update risk management plans to reduce risks and ensure the continued supply of pharmaceutical and diagnostic products.

Roche implement risk management plans appropriate to the level of risk Their primary risk include:

- Economic Risk
- Environmental Risk
- Social Risks

In addition Roche conduct category-specific risk assessments. These include innovation risk from the loss of intellectual property, environmental risk from waste management service providers or animal welfare related risk. Depending on the outcome of risk assessment, a supplier may be classified as low, medium or high risk. High-risk suppliers pose a material risk to Roche, demanding implementation of a risk mitigation plan. Roche conduct supplier sustainability audits to business critical suppliers in the spirit of assurance visits with the aim to foster the relationship, create transparency and help them in case company find improvement opportunities. Using a risk-based approach company audit the highest-risk suppliers with highest priority. In conclusion according to all information Roche company have 3 basic risks, for instance Economic Risk such as bribery and corruption, business integrity risks. And second is

Environmental Risk such as hazardous materials, improper waste disposal, spills, climate change risk. And last one is Social Risk such as child labor, violation of human rights, excessive overtime, poor working conditions, exposure of workers to hazards, violation of data privacy, non-compliance with supplier diversity regulations.

Huawei:

From the outcome interview the author came up to conclusion. Company Huawei has developed an ERM system for its organizational structure and operating model, has released ERM policies and processes, constantly improving its ERM organizations and operating mechanisms and promoting risk management assessments. The ERM system Huawei performs the following main functions:

- Finance Committee (FC): With the authorization of the Board of Directors, the FC acts as the decision-maker for risk management, coordinates company-wide risk management activities, and makes decisions on major corporate-level risks.
- Risk Management Committee under the FC: With the authorization of the FC, this committee fulfills risk management responsibilities and manages the company's routine risks.
- Business managers: As primary risk management owners in their respective business domains, business managers proactively identify and manage risks to keep them at an acceptable level.

To consider Huawei External Risk. they are: Legal risk, The legal environment in some regions where Huawei operates is complex. company strive to fully comply with all local laws and regulations, but negative impacts might still occur. Huawei will continue as always to proactively assess risks and take preventative measures to address them. Next one is Country-specific risks Currently, Huawei operates in more than 170 countries and regions of the world. A complex international economic and political landscape may subject Huawei to particular risks in some countries and regions. These risks include civil unrest, economic and political instability, sharp exchange rate fluctuations, currency controls, sovereign debt crises, local business transactions and labor issues. In particular, tensions between regions, civil wars, sanctions or local disturbances can severely hinder business activities and the development of Huawei. To address these risks, Huawei must have exceptional risk management and response capabilities. company must closely monitor possible risks and changes in the environment and apply rapid countermeasures to minimize any potential business

consequences. Next one is Trade Risks: World trade growth lags behind global economic growth for five consecutive years. The overall trading environment is becoming more complex. Many countries have expressed their intention to pursue trade policies aimed at strengthening economic development and employment. As a global company, Huawei supports the rules of global trade and announces that compliance with trade rules over its commercial interests.

SEB Bank:

From the outcome interview the author came up to conclusion SEB bank exposed to the following risks: credit risk, operational risk, market risk, liquidity risk, reputation risk, business risk, strategic risks.

- Credit risk, which means the risk of losses arising from the inability of the bank's clients or other interested parties to fulfill their financial obligations
- Market risk arising from trading activities (interest rates, currency, loss of value of financial instruments,
- Operational risk, which refers to the risk of losses or sanctions due to procedural failures, human errors or external events
- Liquidity risk, the risk that the bank will not be able to meet its cash flow obligations when they are liable.

In conclusion, why Bank using several types of risk because it is the business of the bank to take over and manage several kinds of risks for its customers. For the bank, all risks are also related to costs associated, inter alia, with the need to provide for it - be prepared for financial consequences if the risk arises. The Bank receives compensation for accepting this risk.

“International Travel Network”

This company working process is all the time risky, if compare with SEB bank, it is risky business, Agents trying to make money but if customer have stolen card and if charge back came up agent will lose profit, but since they have several types of verification way to protect company and agent. They have main risk is Credit Risk, Travel agencies are infamous in the payment card industry for producing some of the highest levels of credit card fraud, especially in card-not-present transactions. So infamous in fact, that most U.S.-based payment processor will not provide merchant

services to new travel agencies and will go into great lengths to ensure that applicants with processing history can actually be trusted to implement adequate risk management procedures to minimize fraud, customer disputes and chargebacks.

In conclusion Travel agency avoiding risk during proces of Sales and benifits is Travel Agency can change risk level before it occurs.

From all above mentioned author can say that, according to all analysis of Risk Management system between 4 companies in Latvia, These Company have strong team and good organization skills, every time controlling and try to find the way to avoid risk. Let's compare them for example difference between Roche and Huawei, their main focus is Environmental Risk, for instance Huawei why main risk is Environmental risk because Earthquakes, floods, epidemics, and other natural disasters could impact certain portions of Huawei's business operations, and Roche conducts environmental risk assessments to determine the impact of specific chemicals and biomaterials on the environment. Roche developing these documents for active pharmaceutical ingredients in the framework of a new application for medicines. In order to avoid Environmental Risk improving the monitoring of environment, support for outreach and emergency planning for people in very sensitive areas, such as heavily built up basins, seismic areas, flood-prone areas. Moreover the differenc between SEB bank and Travel Agency (International Travel Network) their main focus if Credit risk, because for Bank Maintaining credit risk control, the biggest risk in the bank is fundamental. Long-term relationships and in-depth customer knowledge are at the heart of SEB's risk philosophy and the basis for a stable and balanced loan portfolio. Each loan decision is based on an analysis of the client's ability to repay. For small loans for households, this is done through a standardized process, and about Travel agency, their work realated on Credit card, and if card fraud it will to compan huge minuses, to avoid credit risk they have many protecting ways that can verify every single card.

CONCLUSIONS AND RECOMENDATIONS

Risk refers to the probability of loss associated with a particular alternative to a solution. The task of managers is not to avoid risk, but to manage it. Therefore, any commercial operation requires careful analysis and risk assessment.

In management practice, managers have to deal with different types of risks, the main ones are: political risk, systemic, selective, sectoral, regional, enterprise risk, liquidity, counterparty, legislative risk, innovative.

1. The risk management system primarily involves their assessment, the results of which allow further to choose the most optimal way to reduce risks.
2. In business, the following ways of reducing risks are most often used: acquisition of additional companies, companies with a well-established system of introducing new technologies; attraction of external competitors-experts with narrow specialization; introduction of innovations; maximum use of past experience; diversification; insurance; liability Insurance; coinsurance and reinsurance; reservation of the media.
3. Risk management methods can be divided into two groups, one of which includes methods for preventing and limiting risk (examination of decisions and assessment of the level of risk, risk limitation, use of guarantees and collateral, diversification of risk, etc.), and in the other - compensation methods Possible losses (reservation of funds, insurance of risks, etc.). Only the integrated application of various risk reduction methods is the most effective
4. Entrepreneurial activity and management are always associated with a certain risk. The task of managers is not to avoid risk, but to manage it. Therefore, any commercial operation requires careful analysis and risk assessment.
5. Risk management is a relatively new and dynamically developing sphere of professional activity of modern management. In the commercial organizations special positions of risk managers are created, which participate in the analysis, justification and adoption of risky decisions.
6. Risk management methods can be divided into two groups, one of which includes methods for preventing and limiting risk, and in the other, methods for compensating for possible losses.

7. Entrepreneurial activities and management are always associated with a certain risk. Risk refers to the probability of loss associated with a particular alternative to a solution. The task of managers is not to avoid risk, but to manage it.
8. Risk management is dynamically developing sphere of professional activity of modern management. In the commercial organizations special positions of risk managers are created, which participate in the analysis, justification and adoption of risky decisions.
9. The creation of a risk management system in an organization involves: creating effectively system of evaluation and control of decisions; the allocation of a special unit or employee involved in risk management; allocation of funds and formation of special reserves for insurance of risks and coverage of possible losses.

Risk management as a scientific and professional specialization is a very complex area of management, as it is at the intersection of different branches of knowledge and requires skills in using mathematical modeling methods, forecasting, applying elements of strategic, financial and investment management, knowledge of the specifics of insurance activity and exchange trade. Modern business increasingly needs the use of specific exchange instruments for risk management - futures contracts: forward, futures, options, used for both insurance and profit. Most banks and financial institutions today actively use these tools, but managers of trading and especially industrial companies have only to master and actively apply risk management methods.

Recomedations for companies:

1. Companies has to make ability to identify potential negative events, develop responses to them, reducing the number of "surprises" and associated costs or losses.
2. Achieving the objectives of the enterprise requires specific representations about the main type of activity, production technologies, and the study of the main types of risks. Preventing risks and reducing losses from exposure leads to sustainable development of the enterprise.
3. Any company is faced not with one, but with a multitude of risks that affect different divisions of the organization. At the same time, it is often the combination of several risks (operational, financial) that pose the greatest threat to the company. The risk management system should develop an adequate response to such risks.

4. Assessing the full range of possible events, management acquires the ability not only to respond to emerging threats, but also to identify and actively use the opportunities that are opening up.

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ANNEX

1. What are the company's top risk, how severe is their impact and how likely are they to occur?
2. Are you using internal audit to obtain that assurance?
3. Who is responsible for the enterprise risk management or risk management process?
4. How effective is the company in managing risks?
5. How do you make sure the risk management process is working as you expect?
6. Are you managing risk fast enough, or you can act when necessary?
7. Are you able to change strategic directions if risk levels change?

DOCUMENTARY SHEET

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