

Risk Management and SME's: Needs, Attitudes, Competencies

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Risk is nowadays part of our daily lives. Business associated risks are no exception and managers should be prepared to face them. Our paper presents some of the results on a larger study on the impact of various risk exposures on private companies with the objective to determine the general perception of Romanian SMEs management teams regarding risk. The findings illustrate, from their perspective, the main threats and the main vulnerabilities of their business, some preferred methods of risk management and last but not least the size of the risk management team if any in place.

Keywords: risk, management, risk management, risk professionals, risk competencies

JEL Code: J24, L21, M10

1. Introduction

Risk is part of all our lives, both personal and professional. As a society, we need to take risks to grow and develop. Organisations are facing and taking risks with every moment of their existence. All organisations, from the tiny ones to large multinationals should have a risk management professional or, even better, a risk management team in place since the larger the organisations, the greater the likelihood of risks. regardless of the size of the business.

Risk itself has many definitions depending on the elements selected to describe it. Some definitions focus on threats others on vulnerabilities. In a dynamic risk model, in which time plays a role, risk is defined as "the combination of an asset, a type of damage that may occur to the asset and the circumstances in which this damage may occur" (White paper- Risk management, 2009, p.12).

The importance of studying risk is given by its constant presence in our private and business life. We need to do it in order to identify, accept and control it, which is precisely the risk management process as defined by Douglas Hubbard "Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities." (Hubbard, 2009, p.46) or similarly by Greenfield "a systematic process by which risks are identified, assessed, analyzed, reduced or eliminated in order to achieve the objectives" (Greenfield, 2005).

Some other specialists (Izverceanu & Ivascu, 2012; Zeininger & Irimie, 2015) expressed similar views defined risk management as the process of identifying loss exposures, losses that an organisation is facing, and the selection of the most appropriate techniques for treating each exposure in an individual manner.

This paper adds to the work in this field through the findings of an empirical research, aiming to illustrate the Romanian SME's top manager's perception on risk management out of which we looked into what a risk management specialist is looking like.

2. Research on risk management: methodology and findings

The research used as main methodology the inquiry. The authors designed and documented a questionnaire that was applied to the target group: top managers working in SME's. The questionnaire, presented below in table 1, has 8 questions, out of which 3 are meant to set the scene, 1 is related to counting staff dedicated to risk management and 4 are questions asking the respondent to set up a classification by distributing 1, 2 or 3 points among the 3 options provided because in order to narrow the large pallet of possible answers and make it more manageable, the authors provided the respondents with only 3 options to choose from. For questions 4, 5, 6 and 7 a total of all the points awarded was calculated for each option provided.

Table 1 Questionnaire

No.	Question	Answers - options provided		
		Microenterprise	Small enterprise	Medium enterprise
1.	Please indicate the type of your company	Microenterprise	Small enterprise	Medium enterprise
2.	Please indicate your position in company	Manager	Owner/shareholder	Both
3.	Please indicate the number of employees in your company?	<10	<100	>100
4.	Which are the top threats for your company? Please select from examples provided	Ambiguous legal frame	Arbitrary law enforcement	Excessive taxation
5.	Which are top vulnerabilities for your company? Please select from examples provided	Product/ service quality	Employee competence and attitude	Managers competence and attitude
6.	How is risk managed in your organization? Please select from examples provided	Externalization	Increased monitoring and control	Organisational culture change
7.	What is risk impact on your company? Please select from examples provided	Mostly negative; risk is a threat	Mostly positive; risk is an opportunity	Neutral
8.	How many employees are involved in risk management in your company?	0	<10	>10

The target group consisted of 60 top managers of various sizes Romanian SMEs. A first iteration of the findings for only 38 respondents was thoroughly analysed in the paper "Romanian SME's face-to-face with risk management" presented at the first international risk management conference in Turin, Italy (2016). This second iteration is based on the answers of 50 respondents and focuses on how risk management is dwelt with in terms of options to address it and staffing and we aim to answer the concern of whether do the SME's have anyone to look after their risk management process. Based on that we'll take a step further and look at the market offerings in terms of positions and competencies.

From the about 60 answers only 50 were complete and therefore considered for a full critical analysis. A first observation of quantitative nature is regarding the structure of the group of respondents: half are both shareholders or owners and managers of the company doubling the impact power of their judgement. A second observation also qualitative is that 95% of the respondents are acting top managers.

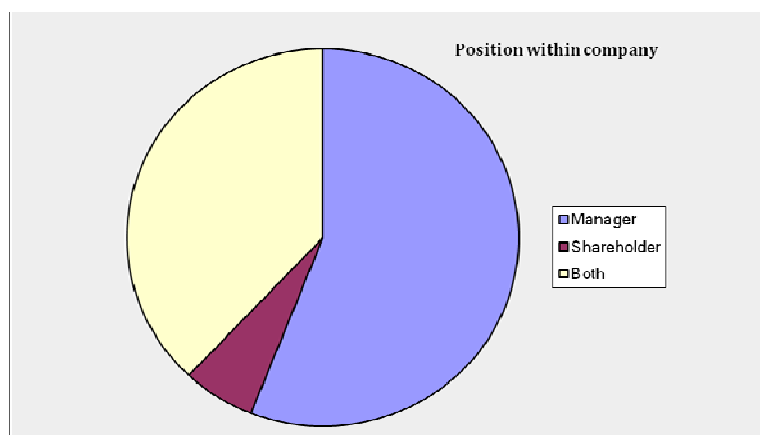


Figure 1. Qualitative split of the respondents

Source: authors

When asked to select a risk management treatment option the most popular selected by the respondents was the one of externalisation as presented in figure 2 and figure 3.

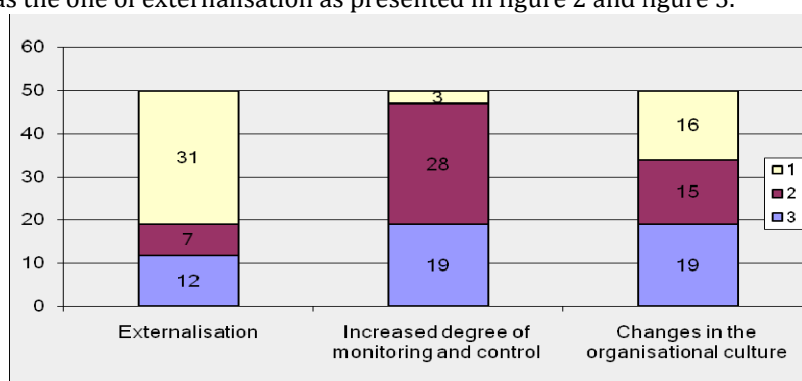


Figure 3. Ways of managing risks

Source: authors

However a deeper analysis of the above, detailed in Figure 3, shows that despite the fact that externalisation was selected by 62% of the respondents it is graded with 1 - indicating a minimalistic degree of importance. The 56% of the option of increased degree of monitoring and control -graded with 2 -shows the conservative approach top managers are willing to take regarding risk management. It is not to be overlooked an encouraging 38% of the ones aiming toward the empowering and involvement culture, as shown in the Figure 4, below:

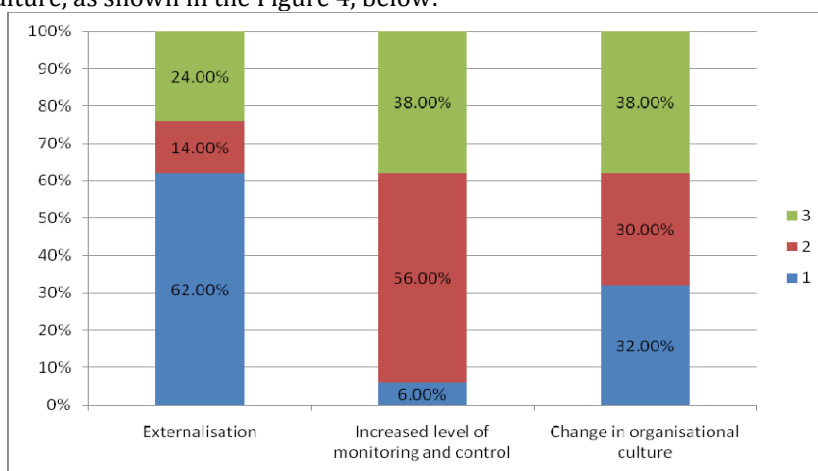


Figure 4. Ways of managing risks- percentage

Source: authors

3. Risk management careers

We came to find out that managing risks mostly by externalisation means most of the times having a contractor looking after health & safety training or having all cars covered by a CASCO policy. On the other hand behind increased level of monitoring and control means having a 24-hours guard on the premises, as required by the 333/2003 law and an eye on the IT risks, as required by ISO 27001.

The findings about managing risks through changes in the organisational culture, presented in Figure 4 above together with the details provided during the interviews are encouraging. results are indicating a change toward a sound work climate within a consistent risk management strategy served by well prepared risk management teams.

Awareness of the importance of risk management in the world's new high growth economies is increasing. Sooner or later all organisations, big and small alike, will understand the value of having a risk management team in place and a risk management plan with a comprehensive strategy in order to guard against risks of any kind that may occur. The risk management plan could hardly be a shelf-product due to its specificity that would make it valuable. Regardless of the size of the business, each risk needs a personalised addressing and a ranking as well as a prioritisation. That allows for a swift execution in case one risks or more become a reality, because then, employees will know what to do from the very first moments, the critical ones that could make the difference between salvation or disaster.

The Institute of Risk Management (IRM) has developed a model for their vision on career levels, presented below in Table 2.

Table 2 Career levels

Career level	Description	Examples of job titles
Leadership level Highest level of knowledge and application	Creates an organisation's risk strategy and provides oversight of risk matters. Influences and informs the governing body and decision makers on risk management strategies. Influences the direction and profile of risk management and the profession.	Chief Risk Officer Director of Risk Management Head of Risk Management Director/Consultant Partner/Consultant
Senior level Advanced level of knowledge and application	Develops risk management policies and procedures. Contributes to organisational risk management strategies and oversees their implementation. Manages and advises on improvements to risk management practices and associated changes; liaises with internal and external stakeholders.	Risk Manager Senior Risk Consultant Senior Risk Analyst Head of Risk Management
Management level Full knowledge of the concepts and application	Manages and advises on the implementation of risk management processes and procedures and champions its importance.	Risk Management Executive Risk Management Officer Risk Management Adviser Risk Analyst Risk Consultant
Support level Basic or no knowledge or experience	Communicates the importance and benefits of risk management; supports the implementation of risk management processes and procedures.	Risk Management Assistant Risk Management Officer Risk Analyst

Source: IRM, 2016 <https://www.theirm.org/about/professional-standards/career-levels#support>

Risk management is a multi-disciplinary profession. "Risk-related careers are incredibly diverse, reflecting the widespread role of risk management in companies and communities. Risk roles

range from banking and insurance to logistics and infrastructure, aviation, space travel, construction, public health, international development and many more." (IRM, 2016)

Awareness about the importance of risk management in the world's new high growth economies is increasing. Because of their highly transferable skills, qualified and experienced risk management professionals are able to move easily between different sectors and countries. Needs are for risk managers, specialists, advisors, consultants; very large companies even dedicate a chief risk officer to its risks management. Due to their highly transferable skills, qualified and experienced risk management professionals are able to move easily between different sectors and countries.

4. Risk management's occupations - comparative analysis

For a comparative analysis between western European countries and Romania, we have searched for information on the website of the Ministry of Labour, Family, Social Protection and Elders about the Romanian Occupations Classification (COR) the Romanian version of the International Standard Classification of Occupations (ISCO) looking for latest version the 2015 one. Hence, we have been able to identify and match the occupations presented in Table 2 with the ones in COR version 2015 - presented below in Table 3 since a first search after "risk" only provided with merely seven occupations.

Table 3. Comparative analysis of risk management occupations

Level	Examples of job Titles - IRM	Examples of occupation titles - COR
Leadership level Highest level of knowledge and application	Chief Risk Officer	
	Director of Risk Management	112016 Manager risk control
	Head of Risk Management	325701 Manager for quality management systems 325702 Manager for environment management systems 325708 Manager for risk management systems 325709 Manager for health & safety management systems
	Director/Consultant	122313 Project manager
	Partner/Consultant	
Senior level Advanced level of knowledge and application	Risk Manager	
	Senior Risk Consultant	
	Senior Risk Analyst	214139 Risk management auditor 214140 Risk management specialist
	Head of Risk Management	
Management level Full knowledge of the concepts	Risk Management Executive	325708 Manager for Risk management systems 121104 Executive manager bank/ Manager/ Deputy Director

Level	Examples of job Titles - IRM	Examples of occupation titles - COR
and application	Risk Management Officer	242104 Process manager 122109 Product manager 121112 Chief - accountant/Financial Director for bank/leasing company 133006 IT Director 134920 Security Director 133005 IT division Director 112020 Economic Director 111238 Deputy General Manager 112015 Deputy General Manager - state company 112012 Deputy General Manager - private company 112014 General manager - state company 112011 General Manager- private company 122104 Director of operations 112033 Human resources Director 112004 Director private company 112023 Branch Director 112007 Research & Development Scientific Director 112024 Technical Director 121110 Branch Director for bank/ leasing company 112019 Director/ Deputy Director/ Chief-inspector
	Risk Management Adviser	226307 Risk evaluator and Health & Safety auditor
	Risk Analyst	
	Risk Consultant	213238 Agri-business consultant 241234 Banking consultant 242312 Labour consultant - work conditions 241269 Investments consultant 242113 Security consultant 241222 Fiscal consultant 242318 Human resources - internal consultant 242307 Labour consultant - work force 251901 IT consultant 263107 Management consultant 242317 Human resources consultant 242316 Standardisation consultant 241213 Real estate consultant 214134 Quality management systems consultant
Support level	Risk Management Assistant	243217 Assistant Director
Basic or no knowledge or experience	Risk Management Officer	214949 Expert prevention technological risk

Level	Examples of job Titles - IRM	Examples of occupation titles - COR
	Risk Analyst	251201 Analyst 351202 Junior analyst 261912 Legal analyst 241229 Banking/ leading company analyst 214131 Quality analyst 241241 Credit analyst 243301 Buyer analyst 242224 Information analyst 263203 Environment analyst 241305 Financial analyst 241309 Bank financial analyst 242222 Company information analyst 241211 Investment analyst 214132 Metrological measurements analyst 242308 Labour market analyst 241220 Revenue costs/ prices analyst 333306 Human resources analyst 243216 Customer services analyst 242310 Wage systems analyst 331201 Financial markets technical analyst

Source of date: IRM, 2016 <<https://www.theirm.org/about/professional-standards/career-levels#support>> and COR, 2015 <<http://www.mmuncii.ro/j33/index.php/ro/2014-domenii/munca/c-o-r>>

At the first glance the comparative analysis reveals an uneven stretch of the occupations over the four levels taken into account. A second observation is that on the senior level, particularly, but on all levels alike, there are many positions missing in the Romanian COR, which would translate into lack of such positions and associated staff in both private and state owned companies. Thirdly we did noticed that on the management and support levels defined by I.R.M. the Romanian C.O.R. has a vast number of various occupations, some redundant not only in responsibilities but also in title and level like these ones all related to staffing: 242307 Labour consultant- work force, 242318 Human resources internal consultant and 242317 Human resources consultant.

The result draws our attention for further research in terms of identifying the competencies' content of the risk management positions classified by COR and the possibilities of bridging the gap with the international standards in place, especially since getting on the same pace with European standards is a major task with a due dead-line.

5. Conclusions

Businesses need to demonstrate to customers and stakeholders alike that risks are being managed effectively.

Today's risks include many from cyber attacks to threats posed by natural phenomena from earthquakes to global heating. Organisations need skilled professionals with the right qualifications to ensure procedures, processes and plans are implemented and therefore risk management is growing with an increasing demand particularly strong in developing countries.

An organisation that effectively and efficiently manages its risks and opportunities is more likely to achieve its business objectives at lower overall costs. Risk management is an inherent part of good management.

Romanian SMEs are still a long way away from managing effectively and efficiently their risks and opportunities, but, as our empiric research shows firsts steps are made in the right directions.

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