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THE BUSINESS RISK

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Abstract
The aim of this work is to provide an overview of the serious risks on the company. It does not claim to solve the problem of the presence of risk in corporate life, it can reveal the risks with which to come into contact with the company and which can achieve the achievement of corporate objectives. In fact, to evaluate in a global way the riskiness to which a company has been declared a rather difficult operation. In the paper, after an examination of the concept of risk, we will highlight the various definitions of risk existing in the literature.

Keywords: Risk, company, risk management, firm

1. The concept of risk,

Each firm, in the course of its increasingly complex ordinary business, from a strategic point of view, can run into multiple obstacles that can evolve unfavorably to the company and compromise its growth, development and economic stability with often irreparable consequences. In practice, it is a complex of risks that permeate all company functions and that act on the company's balance as an adverse force, not extraneous but inherent in the very life of the economic system in which the company operates. They originate from factors attributable to both the corporate structure and the environment and the existing discrepancy between the environmental characteristics and those of the corporate structures. For example, they can be production risks, investment risks, financial risks, personnel risks, market risks, environmental risks, etc., risks that could affect the entire social and environmental context and that must be managed to maintain and increase the value of the company. If not recognized and outdated, they can, in fact, constitute a threat to the growth and existence of the company. Obviously giving a univocal definition of risk is impossible as in apparently similar business situations it takes on a different meaning in relation to the business context in which it is configured; indeed, similar situations often correspond to different risk situations. In practice, there is a risk whenever a damage perspective can be rationally formulated for a certain event. This perspective can concern a new situation or a pre-existing one. If it concerns a new situation, the risk is from scratch; if the situation is already existing and consolidated, the existing risk increases. The development of technology and the progressive globalization of markets, the changing economic scenario, the intensity and speed with which the changes occur have prompted companies to increasingly consider risk in their management. They have realized that risks must not be considered only threats to be avoided but that, in many cases, if well managed, they can be decisive for the success of the company, that is, they can turn into opportunities to be seized to create value. and wealth. The ability to prevent risk has therefore assumed a strategic value for companies. For this reason, in recent years, the interest of companies in issues related to risk management has grown considerably and the need to research tools and methodologies aimed at both containing the risk within established limits has become increasingly evident. and both to

Vol. 6, No. 05; 2021

ISSN: 2456-3676

identify, assess and manage risks effectively. Interest in the topic of corporate risk management has only grown in recent decades. Until a few years ago it was limited only to the management of credit risks or risks associated with financial instruments (or contractual clauses) and only recently has attention been directed to the management of all risks in general to a more overall risk management. Only in recent years has risk management been subjected to rigorous analysis extended to the whole company, has it become an integral part of the strategies of companies. From the analysis of the existing literature on risk management, it emerges that the main contributions on the subject, published in Journal of Insurance, date back to the 1950s and referred to pure risk management. Since 1970, studies have focused mainly on the role of risk management in companies and on statistical methodologies for identifying and assessing risks. Some articles published in the "Journal of Risk and Insurance", on "Risk Management" are an expression of this. The growing attention involves careful consideration and evaluation of the various risks that weigh on the company, their probability of occurrence and management strategies of the different types of risk This operational process of business risk management which tends, through the use of tools of various kinds, to safeguard the company against the damage that may affect it in the exercise of its business is indicated by the name of Insurance Risk Management and is known in the Anglo-Saxon literature as risk management. It allows you to adapt the company's operations to changing market conditions to know the consequences of each action, discover the inherent risks and then evaluate them. In other words, the task of risk management is to identify, evaluate, manage and control the management of any business activity and to take corrective actions, if necessary. Forestieri[1] defines risk management as "a corporate function with the task of identifying, evaluating, managing and subjecting the pure risks of the company to economic control, that is, events that may represent a threat to the physical and human assets of the company itself and/or for its income capacities ". We can therefore say that traditionally, the risk management activity has been oriented towards managing the pure risks of companies. Currently, however, the role played by risk management has changed: alongside the traditional management of pure risks, there is also that of speculative risks. Obviously, the Risk management activity is framed differently depending on the economic-company context in which it is inserted. The entire management of corporate risk, on the other hand, is entrusted by the companies to the Risk Manager, whose institutional task, as an expert in business risk management, is to protect the assets against all risks that may affect the image. and its survival. Having responsibility in the business and towards society, he must pursue the objectives set with prudence and responsibility by periodically evaluating his strategy for the very good of the company and the community in which he operates. The role of risk management is far from marginal in the context of a company: it must assess the overall risk associated with the operation of the company, estimate the limits that the company intends to

[1] Giancarlo Forestieri born in 1946, Giancarlo Forestieri is full professor of "Economics of Markets and Financial Intermediaries" at Bocconi University in Milan, where he is responsible for the "Financial System" and "Investment Banking" courses; in the same University, he was pro-rector delegate for Didactics in the years 2000-04. He taught for 15 years, until 1988, at the University of Parma, where he also served as Dean of the Faculty of Economics and Commerce in the years 1987-88. Among other things, he was a member of the Board of Directors of INA, Assitalia, Mediofactoring, Centrosim; from 1999 to 2006, he was a member of the Board and then also of the Executive Committee of Banca Intesa. From 2003 to 2007 he held the position of Chairman of Cassa di Risparmio di Parma and Piacenza SpA.He is currently Deputy Chairman of Cassa di Risparmio di Parma and Piacenza SpA, Chairman of CA Vita Assicurazioni SpA and member of the Board of Directors of Prada SpA.

ISSN: 2456-3676

bear, analyze the consequences and suggest ways to limit it and solve it. This work proves to be a pivotal element for business success and the advantages for companies that make use of the collaboration of a Risk Manager are, without a doubt, tangible both economically and qualitatively. The qualitative advantages are: a better ability of the company to react to risk situations, a better relationship with the insurance companies and with the counterparty interlocutors in general, a lower exposure of the company to abnormal fluctuations of its income statements, due to 'establishment of damages deriving from pure risks. The economic benefits, on the other hand, are not immediately quantifiable because companies do not have an accounting system that “measures the cost of managing risk”. It can therefore be concluded by stating that "the Risk Manager and the solutions agreed with him, more than a cost, are to be considered an investment for companies". The Risk Manager, therefore, is in summary the one who:

❖ He thoroughly studies the company in all its structural, economic and financial aspects to fully understand the reality in which it operates;

1. continuous research of information on current company developments;
2. supports the managers of all company functions, collaborates with them and supports them in decisions to achieve the most efficient risk treatment;
3. collaborates in the drafting and/or verification of contracts in which relations with third parties are regulated
4. is continuously informed about laws, regulations, jurisprudence, changes in the insurance and reinsurance market, reliability of insurers, etc., in order to ensure that the Company's risk policy is in compliance with the requirements and adhering to the new market needs. In his allocation in the corporate organization chart, the Risk Manager will report directly to the Chief Executive Officer or the General Manager because, being the custodian of the complete picture of the corporate vision, he will be increasingly able to influence the Company's bodies, finding the solutions meet the different needs while respecting the primary objective. Risk management is an integral part of careful corporate governance. Therefore the first responsibility is to verify that the risks are adequately assessed, addressed and controlled by the top management of the organization: Board of Directors and General Management. From a careful analysis of the market, it can be seen that companies, for some time, have been increasingly oriented towards the idea of using an internal or external Risk Manager; this is because there is a growing increase in awareness on the part of medium and small businesses as regards Risk Management; this trend is justified by various environmental factors, which can be summarized in broad categories:

1. the growth in the number and danger of pure business risks, following the escalation of crime, the worsening of the environmental issue, the growing complexity of technologies, the extension of producer responsibility;
2. greater corporate vulnerability, also due to the strong dependence of corporate operations on the functioning of complex work centers and modern information systems;
3. the lower capacity to absorb losses, as a result of the increase in competition in numerous sectors and the tendential decrease in income performance in recent decades;

4. the ignition of the sensitivity of consumers and public opinion towards safety problems, experienced as an important and integral element of the quality of life.

2. Various definitions of risk in the literature

The meaning that is as close as possible to that attributed to it by common language - the meaning commonly attributed to the term "risk" is that of the eventuality of a harmful event or an event whose manifestation can only result in negative effects. This definition therefore obviously provides only a negative exception. The prevailing doctrine, however, does not exclude that the risk may also have favorable consequences. Consider, for example, the risks arising from the launch of a new product or the expansion of production. In fact, in the economic-business literature; the risk is a condition linked, inevitably, to the probable occurrence of a future event of which neither the methods of verification nor the effects deriving from its manifestation are known a priori. That is, it is not excluded that not only negative but also positive effects may be associated. This definition therefore hides a probabilistic nature, which considers any event that has a certain probability of occurring and that can represent a damage or alternatively, an opportunity "risky" according to the unfavorable consequences the favorable ones. In the modern interpretation, therefore, the risk is to identify which threats and which opportunities are facing the company: In any case, it is the unfavorable consequences that arouse concern and prompt any coping behavior and conscious risk management. Business risk, as well as the phenomena closely related to it, have been the subject of careful study in the general economic field since the end of the nineteenth century. Among the more extensive and in-depth investigations are those of Willet, Fischer, Knight, Hardy and Chessa. In the economic-business field, the studies of the Oberparleiter, Corsani[2] and Sassi should be remembered. In this context, risk takes on a different, more detailed meaning.

It is identified in the alea that the company is forced to endure following the possible occurrence of events that fall within the orbit of the company and which have a different cycle of duration a concept specified by Knight and which has influenced a wide current of thought was taken up by J. Smullen: he between the concept of risk to be managed by an organization and the concept of risk from finance. In management we find ourselves competing with realities in which it is impossible to know a priori the evolution of a given event, both in the very near future and in a wider period. Furthermore, in this context, the event will produce results that can be both advantageous and disadvantageous and that benefit from a different relevance and weight within the company. In Finance, being of which neither the result nor the distribution are known in the face of or risky events for which the result is not known, the distribution of the probability of occurrence of the event is known.

[2] Gaetano Corsani (1893-1962). Corsani began his collaboration in 1918-19 as Rigobon's in the chair of Banco model where he was assistant until 1921. Corsani appears for the first time as Assistant in the Accounting and Model Bank courses in 1914-15, while he is not among the teachers of the School in the following years until 1918-19.From the following year, he moved to the University of Florence where he took on the title of the course in Industrial and Commercial which distinguished itself, in the following years, providing a fundamental contribution in the definition of its contents.

Vol. 6, No. 05; 2021

ISSN: 2456-3676

- For Sadgrove[3] “Risk is the possibility that a future event could cause damage. The damage depends on how the event is controlled and how vulnerable the company is to its occurrence”. In the definition given by the scholar it is highlighted that the company cannot act on the occurrence of a certain event, take for example a catastrophic event such as earthquakes, but it can certainly be able to control the effects avoiding the cascade effect and thus compromising the entire company plant.
- For Banks, "risk can be defined as the uncertainty surrounding the effects (outcome) of a future event". Companies, which have always operated in dynamic contexts in which uncertainty dominates the operational context and risk reigns supreme, in order to manage, control and convey risk must engage in intense risk monitoring and prevention activities in a manner that to be able to minimize the possibility of losses that cannot be borne by the company and that may even compromise its economic-company stability.
- Culp, on the other hand, defines risk as “any source of random events that could have a negative effect on a person or organization”. To ensure a clear interpretation of his vision of risk, the scholar highlights two milestones on which all his theoretical construction rests. highlights the need to give a clear interpretation of the risk that entails a single definition without defining this mode of having which could be in the first place in the error and highlights that only thanks to an exact interpretation of the risk can one be able to identify and manage business risks. The second point, also relevant and on which the Culp dwells, is that the definition of risk has a strong objective influence, in fact it depends on the context in which it comes to light. For example, suppose we find a company that produces clothes. For the production manager, the risk was that of not being able to produce a good, specifically a dress, capable of meeting customer expectations. While for the sales manager the risk is, instead, connected to the impossibility of not being able to achieve a predetermined turnover in relation to the production made. A more definition of risk is that provided by the “Risk Management Reports 1989” which defines (according to which) the risk as “the possibility that an undesired consequence derives from a specific event or convention. Another definition is offered by the New Zeland Institute of Insurance, which reiterates that the risk is: “the intrinsic possibility of any object, substance or situation of a loss of profit, or a disadvantage or disadvantage”. Alongside these definitions, we recall that of the Turnbull report, published in 1999. In addressing the problem of risk management that the company runs to achieve its objectives, it hopes that it will stop paying attention to all risks. He also states that the firm should manage the risks and eliminate them. Today, thanks to information technology and the freedom of the market, there is the possibility of measuring risk more easily. Let's see in detail how these two factors help:
- Information technology: thanks to technological evolution, it allows the creation of rather sophisticated tools which, by analyzing the risks that occurred in the past, are able to increase the ability to both analyze and forecast future risks with which the company will operate. For

[3] Sadgrove Kit is a management consultant specializing in the control of business risks. He is currently Director of The Business Institute, an independent research, training and consultancy organization. He has written numerous articles and is the author of several management books, including The Green Manager's Handbook, also published by Gower.

Vol. 6, No. 05; 2021

ISSN: 2456-3676

example, the warning signs of earthquakes or meteorological storms can be analyzed to predict and evaluate future risks within certain limits.

- The freedom of the market allows companies that do not want to incur a certain risk, linked to a certain event, to be able to sell it to other companies willing to run it. It allows, that is, to be able to fragment the risk and to be able to divide it among several companies with undoubted advantages in the event that the risky event produces losses of enormous significance. It must certainly be pointed out that over the years there has been a slow but continuous evolutionary process on the issue of risk which has seen, by corporate risk scholars, an abandonment of the purely statistical definitions of risk, which had dominated the corporate scene for several decades, and an approach, instead, towards those definitions that are not strictly statistical even if for their validity they require the calculation of both the frequency and the severity of a harmful event.

3. Conclusion

In this paper we have tried to outline the fundamental traits of the concept of risk in order to offer anyone involved in risk management the elements to be able to better assess the risks that a company faces in the context of its activities. The risk assessment phase is a fundamental phase of the risk management process. Without it, the risk manager would have no directive towards which to direct their choices in terms of risk management. Recognizing and controlling risks is an element of fundamental importance as it allows you to easily intervene and stem the negative consequences that can compromise the company's stability. For this reason, risk management is not only at the top of the company management, on the contrary it involves every single worker in his daily activity. Ignoring the possible negative effects of one's decisions can ultimately jeopardize the economic stability of the company.

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