

FEATURES OF RISK MANAGEMENT IN THE FOREIGN ECONOMIC ACTIVITY OF THE ENTERPRISE

Any business activity is accompanied by risk. The unstable political and economic situation in the country causes an increase in the level of risk and increases its role in the economic activity of the enterprise. In the current crisis conditions of the Ukrainian economy, the problem of increasing risks is quite urgent.

Nowadays, in the process of carrying out economic activity, every enterprise faces certain risks, which increase significantly when entering foreign markets, because when interacting with foreign entities of the world economy, there are risks inherent in the economy of other countries, therefore, for effective business in the conduct of the foreign economic activity. It is necessary to take into account the likelihood of risk situations.

Risks in foreign economic activity are possible adverse events that can occur, which can result in losses and property losses for the FEA participant [2].

Based on the analysis of scientific sources it is possible to allocate the following 8 types of risks in foreign economic activities [3]:

- country risk (sovereign risk) - characterizes the impact of the political and socio-economic situation in the country market where it operates, the company;
- customs risk arises in the implementation of customs clearance procedures (problems in the preparation of documents and their presentation to the customs broker, the prohibition of the export of goods abroad, as well as the risk of violation of customs legislation);
- currency risk associated with significant changes in exchange rates between the contract date and date of implementation of the importer for payment under the contract, as well as possible inflation, leading to depreciation of the national currency against the currency of the contract;
- risks of international marketing occur due to the implementation of ineffective marketing activities in foreign markets (bad choice of the target segment, inefficient methods of promotion of goods is impractical to establish prices for the company's products);
- risks of international transport (transport risk), include difficulties with shipping (the force majeure, the probability of damage to the goods during transport, unprofessional forwarding activities);
- the risk of international contract - related losses due to improper contract, the existence of false or unprofitable items (loss due to non-compliance with delivery time, packaging and labeling, the discrepancy of the quantity and quality of the goods the terms of the contract);
- risks associated with foreign counterpart imply the unreliability and dishonesty of partner (fraudulent organizations, front companies);
- risks international competitive environment is characterized by the presence in the international market strong competitors, which impede the functioning on the market of the enterprises with low competitiveness.

Risk management is the process of organizing the work on prevention of possible risks, development of effective techniques for eliminating negative consequences of their occurrence with the aim of providing the competitiveness and stable management. After analyzing the classification of risks inherent in industrial enterprises, was formed the algorithm of risk management arising from the conduct of foreign economic activities (Fig.1). The stage of risk identification involves the determination of the number and determine what risks may arise in the implementation of industrial enterprise foreign trade activities.

An important step in the management of foreign trade risks is to assess the level of risk, due to the fact that effective risk management must first be analyzed and assessed.

After the risk assessment defines the methods, means, and instruments by which it becomes possible to risk management in the enterprise.

The next step is to implement the decision and applying the developed tools and methods.

The final phase of risk management involves the assessment of the effectiveness of completed actions on risk management, monitoring, and control.

In the implementation of foreign economic activity by eliminating some of the risks the company faces new. In this regard, risk management is a closed process in which control over again is the stage of identification and other steps.

The risk management process cannot be considered without appropriate tools with which it is possible to develop a set of measures and methods of influence on risk, which arises in the process of implementing the activities of the organization.

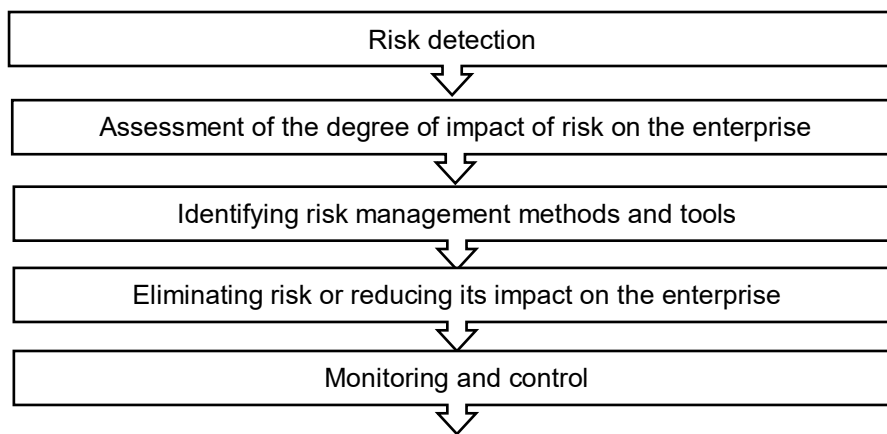


Figure 1 – Algorithm of management of foreign trade risks in the enterprise [4]

The main methods of risk management:

The limitation is one of the most frequently used risk management tools is to develop standards that establish upper and lower limits of the use of borrowed funds, the loan to the buyer and the use of highly liquid assets.

Coating loss out of current income is characterized by insignificant financial losses, the company offset the lost funds due to current profits.

Covering the risk from the reserve Fund of the company is that the company forms due to the working capital reserve Fund which will be allocated part of the funds to cover the financial losses associated with the occurrence of various risks.

Self-insurance provides for the establishment by the company of its own reserve funds, but cover mostly homogeneous risks.

Risk insurance involves the transfer of liability for risks from the company of the policyholder to the insurance company for a fee – the premium. The insurance company creates its own Fund at the expense of insurance payments.

Diversification, in this case, is understood as a consistent, planned activity of the company aimed at increasing the specificity of its functioning, implementation of new ways of doing business and attracting other financial assets for further investment, by an allocation of investments.

Localization of risks is used when there is a possibility to determine accurately the nature of risk and its causes. This method can be attributed to the creation of venture capital enterprises; the creation of separate units for implementation of risky projects; a joint venture with other companies.

Risk hedging is a set of measures aimed at reducing certain financial risks and obtaining certain guarantees for the success of future transactions. Basically hedging is used to minimize costs when fluctuating market rates using options, futures, forwards and swaps [1].

Therefore, we can conclude that any kind of activity is associated with a very large amount of risk affecting the performance of the same activity, and when entering the international markets, all these risks are increased many times over.

Choosing and using a risk management method requires serious consideration of the current economic situation and the existence of certain conditions. The need for businesses to enter new markets is very high today, and risk is an integral part of foreign economic activity. Therefore, enterprise managers must anticipate potential risks and be able to manage them effectively.

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