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Entrepreneurship the Importance of Risks in the Activity and Stages of Their Management

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Abstract: This article discusses the essence and content of the concept of risk and various scientific approaches to its definition, the influence of risk on the efficiency of entrepreneurial activity, its features and stages, subjective, objective or subjective-objective features of risk, types. risks, features of understanding the phenomenon of entrepreneurial risk in each period under study.

Keywords: Entrepreneurial Activity, risk, subjective-objective characteristics of risk, type of risk, uncertainty, risk management, assessment.

Enter

There are risks in every field and direction of human activity, which can be of many types, such as political, economic, social, ecological, environmental. Of course, enterprises, like other economic entities, inevitably experience risky situations in their financial and economic activities. The nature of risk is related to the uncertainty of events that may occur in the future. Any business transaction, any decision made by an entrepreneur is accompanied by the threat of risk, which creates the risk of loss of profit and property, and may cause the risk of bankruptcy of the enterprise.

Therefore, the topic of risk management is particularly relevant, regardless of the transformational processes in the economy, the existence of a deep competitive environment, changes in the internal and external environment, and all kinds of factors that lead to the emergence of risks, they must be effectively managed in order to achieve a certain goal. The risk management process is implemented in every enterprise, but there are certain differences: some services enterprises evaluate the results and consequences of the risk situation, and the rest continuously monitor and manage the risk. The second method can be interpreted as risk management and is relatively preferable, because service When the risk is detected, the company can minimize it or completely reject it, which allows to reduce the costs of the company. The risk management process is multi-step and complex. Therefore, in the research process, it involves the identification of effective methods and means of risk management, the study of general principles, factors and reasons for their classification.

Analysis of literature on the topic

In the scientific literature , the characteristics of the occurrence of risks in business activity, types of risks, risk assessment and their management , the factors of the impact of risks on the effectiveness of business activity have been researched scientifically, theoretically and methodically.

In the work of V.V. Cherkasov [12, 85 p.], there is a description of risks in various combinations in economic sectors and sectors, their characteristics, the classification of risks in the process of implementing a public-private partnership project by groups, and the risks under the responsibility of the state and private partners and their distribution between the parties distribution issues are explained.

Russian scientist A.P. Erofeeva [4, 241 p.] describes the methods of developing and evaluating the risk management system in service enterprises, the foreign experience of the risk management system in the field, the methods of researching the risk management system, and the effectiveness of managing investment projects in service enterprises. growth processes are studied.

by E.D. Frolova [10, p. 31-32], the risks that arise in the process of managing strategic projects in the field of entrepreneurship , their assessment and management, ways of implementing socially significant projects in a wide range of economic activities , the phenomenon of entrepreneurial risk in each period specific aspects of understanding are highlighted.

the economist G. Kh. Utemuradova [8], the stages of risk management, risks in public-private partnership projects, in the service sector Within the framework of PPP project management, the following stages of risk management, types of risks, and issues of risk distribution have been researched.

Research methodology

In the process of research , the scientific basis of the methodological approach to identifying and managing risks in the field of entrepreneurship in the conditions of the transformation of the economy, the risks that arise in the process of the implementation of projects in the field, the factors and reasons that create risk in entrepreneurial activity, the formation of economic systems and ratios for the systematic identification and classification of business risks dialectical, systematic and scientific approach to learning, comparative and comparative analysis and grouping methods were used.

Analysis and results

Risk has an absolute characteristic in any business field, and it is usually defined as a state of uncertainty that can affect the results of business activity. Entrepreneurial risk is a possible process that can cause indicators related to entrepreneurial activity to deviate from previously determined (in the perspective of indicators) parameters.

Risk is manifested in various forms and in almost all areas of human activity, in the activity and development of enterprises and organizations, and in their interaction with the environment. In the current conditions, the problem of eliminating uncertainty and risk management is urgent in the field of business activity. Entrepreneurship is understood as the initiative and independent activity of citizens and their associations aimed at obtaining profit, carried out under their own risk and property responsibility.

In most cases, a management decision related to risk is inevitable, and sometimes there is no way to avoid it. Of course, the necessary measures are taken to reduce the unacceptable risk, but if the risk-related processes are unavoidable, then it is necessary to manage the risk by acquiring knowledge and skills about the risk. It is very important for an entrepreneur to anticipate difficulties and to develop in advance alternative ways to get out of dangerous situations that may arise in case of their sudden occurrence.

Modern business cannot develop successfully without comprehensive risk assessment. In other words, every enterprise striving for sustainable development must have risk mitigation mechanisms.

Therefore, we theoretically study the socio-economic nature of the risk category and its definition.

As Joel Bessil points out, today, “there is a need to assess risks that are intangible and invisible and ensure that they are clearly controlled. Definitions of risk serve as a starting point for the regulation of various risks" [14].

Risk is a complex phenomenon with many different and sometimes conflicting real foundations. This, in turn, indicates that there are several variants of the definitions of the concept of risk.

The origin of the term "Risk" goes back to the Greek words ridsikon, ridsa - steep rock, rock. In Italian, risk means danger, threat; risicare means maneuver between stones. In English literature, the word "risk" came from France in the middle of the 18th century as the word "risk" (dangerous, doubtful).

In W. Webster's dictionary, "risk" means "danger, possibility of loss or damage" [16]. Ojegov's dictionary defines "risk" as "probability of danger" or "random action in the hope of a happy outcome" [6].

I.A. Blank explains the risk as "the possibility of loss of income or capital and negative consequences in conditions of uncertainty of financial and economic activity" [15].

The concept of risk was first introduced into the theory of market relations by the French economist R. Catilon, who considered risk as a property of any commercial activity carried out in a competitive environment. It estimates the trader's profit and loss as a result of uncertainty and risk. Despite the fact that the economic ideas of that time were characterized by a certain limited outlook, modern Western economists consider this French scientist to be the founder of risk theory [7].

The emergence of private property required the activation of scientific thinking and further study of the concept of "risk".

In general, there are two opposing views on the essence of risk, formed within the framework of classical and neoclassical theory.

In classical economic theory, risk is determined by the quantitative expectation of losses that may occur as a result of decision-making. Here, the risk is taken as the damage caused by the implementation of this decision. In this context, risk is manifested in the form of failure, risk and material loss that may occur as a result of the implementation of the chosen solution.

Representatives of classical theory (J.Mill, N.U.Senior) divided the interest as a share of invested capital, entrepreneur's salary and payment for risk. This means that the higher the risk, the higher the rate of return should be [17].

In the 19th century, the representative of the German classical school I. Von Tuenen revealed a direct relationship between the amount of profit and entrepreneurial risk. For the first time, he introduced the concept of the risk of unused alternative opportunities, which lead to a decrease in profits, into the theory of market relations. According to the scientist, the only driving force that encourages an entrepreneur to take risks is profit, which should increase in proportion to the increase in risk.

Another representative of the German classical theory, G. Von Mangold, developed the ideas of I. Von Thunen, and for the first time raised the issue of the need to assess the level of risk taking into account the time factor. According to G. Von Mangold, the level of risk also depends on the following production characteristics:

- the risk in custom-made production is low, that is, in the case of clearly determining the procedure for the production of any product or the provision of services, the risk will be minimal or non-existent;
- the risk in the production of products for the market is high, that is, in the conditions of market competition, in an unpredictable, frequently changing situation, the level of risk increases significantly. In addition, the greater the time interval from the initial stage of

production to the sale of the final product, the greater the risk of possible losses, and the compensation or reward for it will also increase.

According to the neoclassical theory, the behavior of the economic subject is related to the concept of marginal utility, that is, the entrepreneur chooses the option with smaller fluctuations in expected profit. According to the neoclassical theory, an entrepreneur chooses the option associated with a lower level of risk with the same amount of potential profit . The consequences of risk are usually in the form of financial losses or lower profits. In favorable conditions, it is possible to achieve higher profitability than expected during the planning process. Thus, in this case, the risk is determined by the expected luck and positive outcome [3].

J.M.Keynes made significant additions to the neoclassical theory and emphasized the need for a full assessment of the causes, possible manifestations and consequences of each type of risk. He also introduced the concept of "pleasure factor" to the neoclassical theory, which explains the entrepreneur's willingness to take more risks to get more profit.

Joseph Schumpeter connected risk and entrepreneurship and emphasized that if risks are not taken into account in the economic plan, they become a source of profits on the one hand, and losses on the other. An entrepreneur can choose a solution that involves less risk, but the resulting profit is also less [13].

At the same time, it is generally accepted that increasing risk increases the entrepreneur's income only up to a certain amount. Unreasonable growth of risk and its exceeding critical level not only contributes to the slowdown of income growth, but can also lead to large losses. Therefore, the implementation of management decisions whose level of risk corresponds to the catastrophic risk zone should not be taken by the business entity.

As noted above, in the scientific literature there are not only differences in the understanding of the essence of the concept of "risk", but also different views on its objective and subjective nature.

We will consider three main perspectives of risk , which have subjective, objective or subjective-objective characteristics . However, it can be recognized that the subjective-objective nature of risk prevails.

Proponents of the objective approach believe that any human activity is aimed at preventing the consequences of risk, because it makes no sense to fight against the objective laws of nature. At the same time, they reduce the process of risk management to the procedure of calculating the loss and determining the methods of compensation.

According to this concept, the objectivity of the concept of "risk" is expressed in the connection of this concept with events and processes that actually occur in social life, which exist independently of human consciousness and will. The presence of risk is explained by the manifestation of chance.

However, due to the fact that the subject of economic activity perceives management results as uncertainty regarding the quantitative and qualitative characteristics, it becomes a category describing economic reality.

acts as an assessment of the action by a person (subject) as a conscious choice, taking into account possible alternative options .

From this point of view, the manifestation of risk is related to the will and consciousness of a person and has a subjective description. According to the supporters of this position, risk always means the possibility of choosing certain alternatives for management decisions and the need to calculate the probability of their implementation.

Subjective risk assessment is based on the subject's active awareness of the economic reality and appears as a product of his activity. Risk can be realized only in the course of activity. In addition, people perceive the same amount of risk differently due to differences in psychological, moral, ideological principles and attitudes.

The subjective-objective nature of the risk and its level of impact are explained by the fact that it is caused by subjective and objective processes that do not depend on the individual's will. Knowing that there are two principles in risk allows you to choose more effective methods that optimize decision-making processes in practice under conditions of uncertainty.

It should be noted that the concept of "risk" has not yet been finalized, because due to the endless interest in this topic, its definition is constantly being improved with the development of economic theory and practice, as well as with the development of knowledge about the surrounding world.

Each period has its own characteristics in understanding the phenomenon of entrepreneurial risk. To date, dictionaries and textbooks have given definitions that differ in detail, but describe the generality without excluding each other. Most of them associate risk with the uncertainty of the development of events, the possibility of plans being violated.

The concept of risk and loss are closely related to each other, and here, using the category "loss", it is possible to quantitatively describe the magnitude of the risk.

The concept of "risk" has a number of characteristic features: inconsistency, alternative and uncertainty.

Such a feature of risk inconsistency leads to a conflict with the subjective assessment of objectively existing risky actions. The alternative of risk means the need to choose two or more possible solutions, directions, actions. If there is no choice, then there is no dangerous situation, and as a result, the level of risk is zero.

Uncertainty should be understood as vague and incomplete information about the conditions of the enterprise's economic activity, including related expenses and obtained results. The presence of risk is directly related to the presence of uncertainty, which is not uniform in form and content. Business activities are carried out under the influence of the uncertainty of the external environment (economic, political, social, etc.), many variables, the behavior of counterparties, which cannot always be predicted with acceptable accuracy.

Uncertainty can be speculative and pure. Speculative uncertainty means that the result can deviate from the expected average value either for the worse or for the better, and pure uncertainty - only for the worse. A state of risk is qualitatively different from a state of uncertainty. Risk is an indicator of uncertainty. If the manager who makes a management decision knows the probabilities of certain events, he works with risks [11]. In the general approach, the causes of uncertainty are divided into three main groups of factors: ignorance, randomness and contradiction [9].

The different approaches highlighted above determine the relevance of risk assessment.

Recently, the formation of a new approach to determining the nature of risk is associated with the need to create an active form of risk management based on flexible and primarily preventive means of managing factors that cause a dangerous situation. This means that it is necessary and possible to prevent the occurrence of a risk that causes a risk event. The authors of this trend define risk as a set of factors of risk events that can reduce or increase the efficiency of the enterprise, that is, commercial, economic, social, financial, production, investment and other factors. This approach is based on the identification and classification of risk factors that may have a negative impact on the company's activities. Based on this, Moskvin V.A. gives the following definition: "Risk is the probability of an event occurring under the influence of any factors" [5]. This definition considers risk as a natural process that needs to be managed.

Summarizing what has been said, it can be noted that risk is a complex phenomenon with many inconsistent and sometimes contradictory foundations. This leads to the existence of a number of different definitions of the concept of "risk". Risk can be seen as a certain probability associated with the randomness and uncertainty of the result that occurs under the influence of factors that reduce or increase the efficiency of the enterprise. At the same time, it is somewhat wrong to conclude that the result must necessarily be negative. The risk should be considered comprehensively, taking into account its possible positive and negative consequences. If the risk is associated only with negative results, then the readiness of business entities for this is completely unclear and incomprehensible. Such preparation, despite possible losses, is compensated by a strong incentive - increased profit. It is not for nothing that the founders of the theory of entrepreneurship, R. Katilon, I. Tuneni and F. Knights consider the realization of the entrepreneur's ability to take reasonable risks in the process of reproduction as a source of entrepreneurial income.

The following stages of risk management in the implementation of various projects in business activities can be mentioned:

1. Identification of project risks [1].
2. Risk assessment.
3. Distribution of risks. As a result of agreements within the framework of the business project, the entity that can cover the specific risk in the best way is selected.
4. Mitigation of risks. This involves the involvement of insurance companies that undertake the functions of insurance of certain risks.
5. Continuous monitoring of risks.

Risks in business activities can be divided into the following types: political, legal; technician; commerce; financial; administrative.

Usually, each risk is analyzed from three points of view: the probability of occurrence of the risk event (in percentage: 0% - very low probability, 25% - low probability, 45% - average, 75% - high probability); the impact of this event on the implementation of the project and the assessment of the level of such impact (for example, on a 10-point scale: low - 2.5, medium - 5, high - 10); impact on the achievement of the goals specified in the project [2].

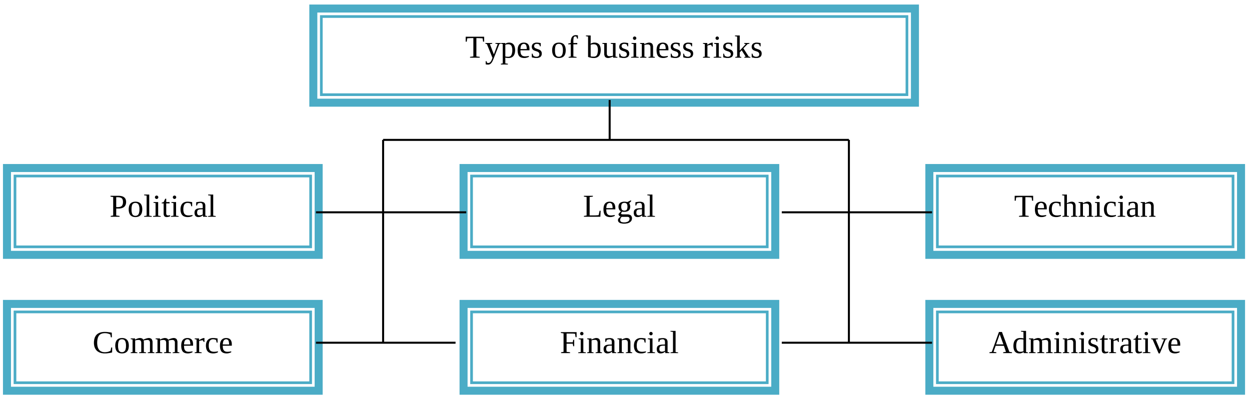

Figure 1. Formation of risks in business activities[2]

Such an analysis allows determining the relative value of various risks and their effective distribution. Each partner represents the assumption of risks in the cost of the project. Therefore, these actions related to expenses are similar to insurance premium .

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[1]of the similarity of an unknown object to a known object based on the matching of signs . In philosophy, personal identification (self-identification) is an answer to the question of a person's relationship to himself.
[2] Compiled by the author.

Table 1 Classification of the main risks arising in business activities[3]

Types of risk	Naming of risks	The party taking the risk
Legal risks	Changes in the legislative system.	State
Political risks	Changes in the political situation: the risk of nationalization; changes in political power; social situation; corruption in the country.	State
	The risk of revision of the draft contract.	
	Risk of initial irretrievable investment.	
Financial risks	Exchange rate risk.	State
	Inflation risk.	Together
	Refinancing risk.	Together
	Interest rate risk.	Together
Administrative risks	Risk of obtaining necessary licenses and permits.	Together
	Tariff regulation risk.	State
Technical risks	Construction risks: planning risk; inflation risk to building materials; force majeure.	Together
	Price fluctuation risk, exploitation risk. Risk of providing services: quality of services; an increase in the value of operating costs.	Private sector
	Environmental and archaeological risk.	State
Commercial risks	Demand risk, operational risk - increased operational costs, customer risk, supplier risk.	Private partner
	Risk of project not being completed.	Together

One of the main risks that appear in business activities is political risk. They consist of:

1. Change of **political** situation: risk of nationalization; political exchange; pressure from decision-makers; revision of state priorities in the field of tax, budget, economic policy, etc.
2. **Legislation** -related risk (legal risk) consists of the following: risks related to changes in state legislation; risks related to changes in local legislation.
3. As for the category of **financial risks** , if the project is partially financed in foreign currency, then the risk of exchange rate fluctuations is under the absolute control of the state. In addition, there is a risk of currency conversion in developing countries, which means that the exchange of national currency for foreign currency may be prohibited. Financial risks related to inflation, changes in interest rates or refinancing rates occurring in the economy are included in this type of risk.
4. **State exposure risks.** These risks can be called administrative risks. These types of risks include the risks related to obtaining administrative permits (usually such risks are shared by the government with a private partner) and tariff regulation.
5. **Technical risks assumed by the government.** These risks are the risks that arise in construction objects within the framework of PPP projects: risks of protection of objects of ecological and cultural historical value (for example, archaeological risks).
6. When dividing **commercial risks** into categories, attention should be paid to the following: market risks (demand risk); the risk of not being able to finish on time; exploitation risk; buyer risk; supplier risk. When construction is completed and the facility is put into operation, many commercial risks arise.

[3] Developed by the author.

To conclude, risk management is very important in the process of implementing business management mechanisms in the current environment. Therefore, the unique feature of the risk management system in business activities is to achieve the desired goal and high performance by reducing risks in the implementation of any project.

Summary

1. Risk has an absolute characteristic in any business field, and it is usually defined as a state of uncertainty that can affect the results of business activity. Entrepreneurial risk is a possible process that can cause indicators related to entrepreneurial activity to deviate from previously determined (in the perspective of indicators) parameters.
2. In most cases, a management decision related to risk is inevitable, and sometimes there is no way to avoid it. Of course, the necessary measures are taken to reduce the unacceptable risk, but if the risk-related processes are unavoidable, then it is necessary to manage the risk by acquiring knowledge and skills about the risk. It is very important for an entrepreneur to anticipate difficulties and to develop in advance alternative ways to get out of dangerous situations that may arise in case of their sudden occurrence.
3. The subjective-objective nature of the risk and its level of impact are explained by the fact that it is caused by subjective and objective processes that do not depend on the individual's will. Knowing that there are two principles in risk allows you to choose more effective methods that optimize decision-making processes in practice under conditions of uncertainty.
4. The main risks arising in business activities are divided into political, legal, financial, administrative, technical and commercial risks assumed by the government. Risk management is very important in the implementation of business management mechanisms . Therefore, the unique feature of the risk management system in business activities is to achieve the desired goal and high performance by reducing risks in the implementation of any project.

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