

# Impact of global changes in the business environment in relation to risk management

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# Introduction

Globalization is also taking on a different dimension in business today, as it is clear that the world will be different once COVID 19 pandemic has subsided.

Enterprises face new risks that affect their operability, ensuring the protection of employees' health, as well as investment and development activities in the form of projects.


From the point of view of future developments, it is clear that this pandemic is not the last and it is necessary to learn from it and take adequate preventive measures in the future to ensure the continuity of business activities.

Business continuity with regard to prevention aspects can be ensured through integrated risk management into key areas of the enterprise, respectively projects.

Risk management should be an important part of corporate governance.

# Analysis of the current state of risk management in project management

- Risk management includes:
  - identification,
  - assessment and prioritization of risks,
  - followed by the coordinated and economic use of resources to minimize, monitor and control the likelihood or impact of adverse events.
- In a *competitive environment*, only those who *can assess and manage risks* in the enterprise and *implement projects effectively* and in accordance with the *set goals will succeed*.
- The priority areas of risk analysis in the implementation of the project are:
  - determining the probability of occurrence of risk,
  - qualitative identification of risks,
  - determining the size of probable losses taking into account the risks,
  - the development of risk mitigation.



The success of projects, whether in the introduction of *new technologies, products, expansion of production capacities or change management*, can significantly contribute to increasing the competitiveness of the enterprise.

Conversely, the failure of projects can lead to a *decline in performance, large financial losses or even a threat to the existence of the enterprise*.

Due to the fact that each *project* is defined by a certain *degree of uncertainty*, there are certain *risks associated with each project*.

*Differentiating and reducing risks* in today's projects is *crucial to the success of the project*, risks accompany every project and are *part of all stages of its life cycle*.

*Risks in projects* can create *unfavorable situations* that occur in the process of its implementation with an *impact on the overall success of the project*.

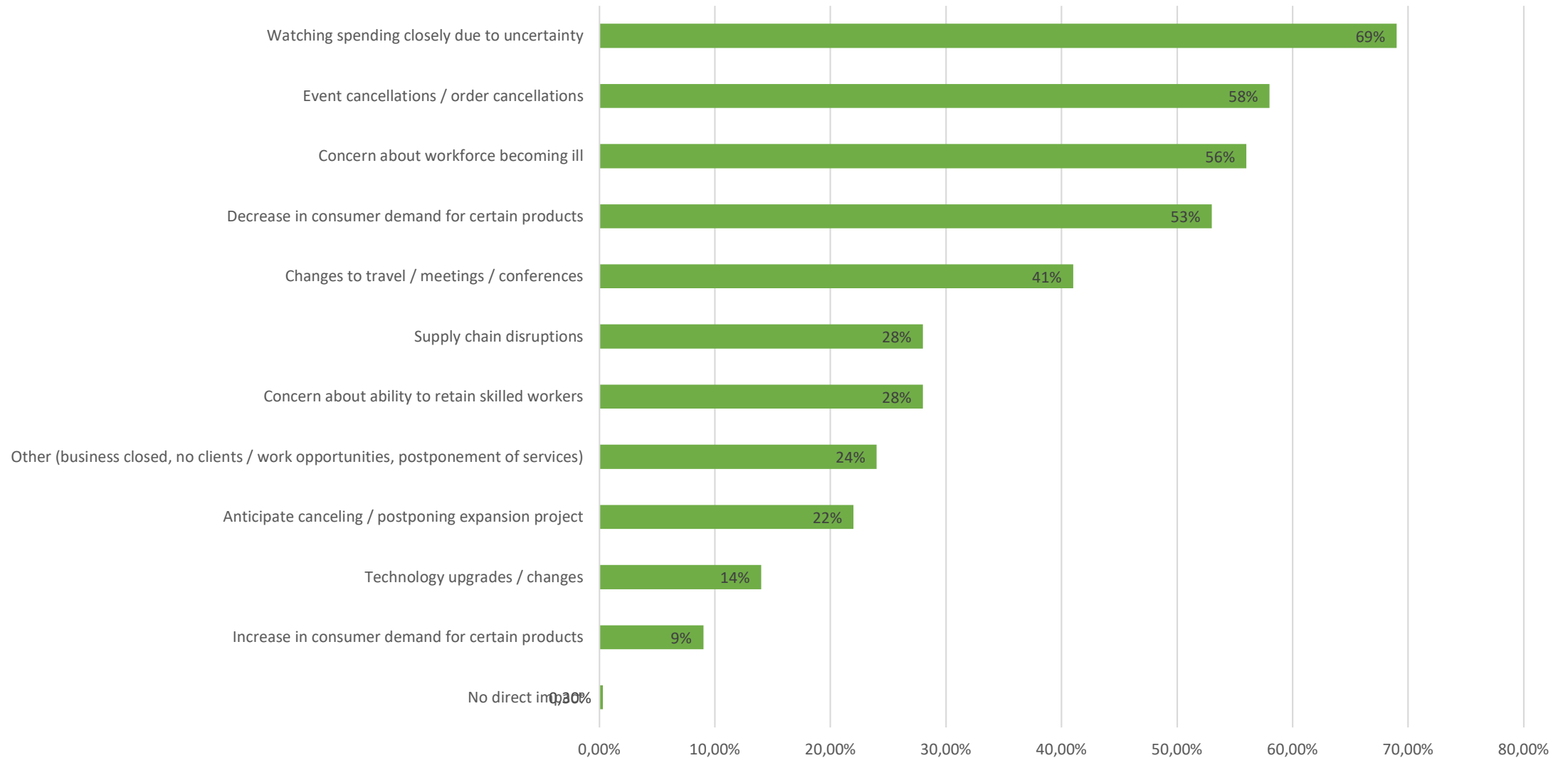
*Projects are threatened* by a number of different risks, which *result from the nature* of the dynamically changing *internal and external environment* of their implementation.

In the area of *project risk management*, it is necessary to *develop an integrated and comprehensive approach to risk management for each enterprise*.

**Current developments in the business environment in relation to restrictions as a source of risks arising from the COVID 19 pandemic**

- The effects of the COVID 19 pandemic can be seen in all areas of business and social life.
- As a result of COVID 19, the EU-27 countries have introduced a wide range of restrictive measures, such as:
  - working from home for employees,
  - stopping or canceling planned events and projects,
  - imposing travel bans,
  - in some cases complete cessation of production.
- This has had a significant impact on the economy, which has put many enterprises in a precarious situation.
- These measures have generally had a negative impact on demand and thus on production in many areas.





***Fig. 1 Changes in the business environment caused by the COVID 19 pandemic, (adjusted according to OneAcadiana, 2020).***

*Table 1. Rate of development of industrial production in selected industries in the EU during the pandemic COVID 19, (adjusted according to Eurostat, 2020).*

	<b>Motor vehicles, trailers, semi-trailers</b>	<b>Leather &amp; related products</b>	<b>Wearing apparel</b>	<b>Computer, electronic &amp; optical products</b>	<b>Pharmaceutical products</b>	<b>Tobacco products</b>	<b>Total industry</b>
<b>March 2020</b>	-33,5%	-40,4%	-32,8%	4,1%	16,9%	4,6%	-10,9%
<b>April 2020</b>	-68,5%	-60,2%	-30,4%	-5,0%	-11,9%	0,6%	-17,3%

- Based on the above, it is first and foremost necessary to focus in the future in all sectors on ensuring the safety and health of its employees.
- Slovak enterprises will have to implement all the necessary measures required by the newly adopted legislation and will also be pushed by customer audits to ensure production from the point of view of safety and health protection at the same level as larger employers.
- It is also necessary to focus on the prevention and ensuring the operability of enterprises as well as the thawing of investment and project activities.
- It is here that we get to the possibility of applying an increase in the security of business activities as well as project activities by implementing risk management according to current standards and regulations.

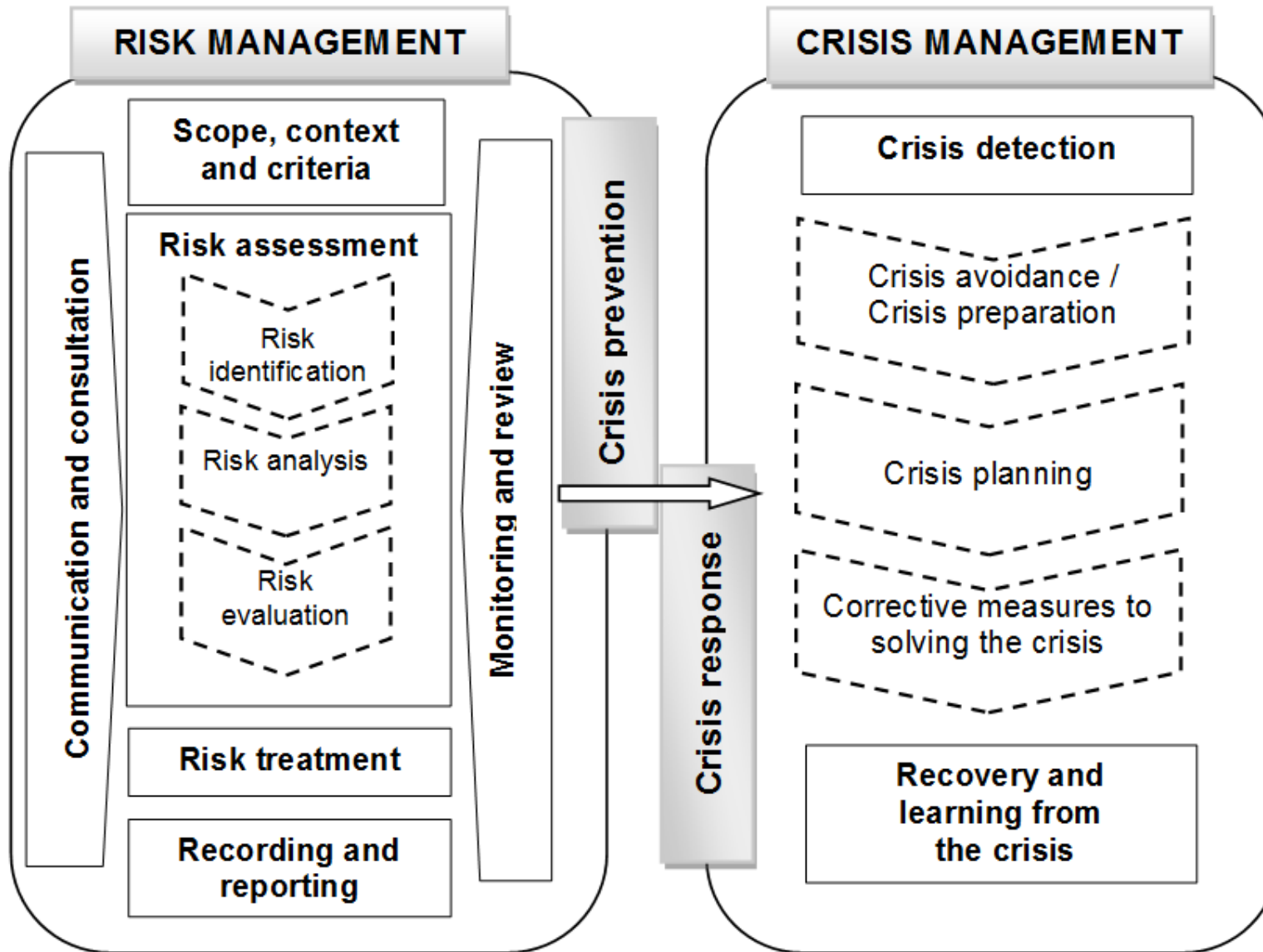
# Possibilities of implementation of risk management in business and project activities as prevention of crisis in the enterprise

- Recent events have revealed not only the limits of enterprises and corporate management, but above all their strengths and weaknesses and their readiness to respond to unforeseen changes in the environment.
- It is here that the importance of proactive risk management is reaffirmed, which should be an integral part of the enterprise's management and thus preventively assess possible risks and their consequences and be prepared to manage them and not just respond to a crisis situation.



- Directive of the Council of the European Union no. 89/391 / EEC states that the employer must be able to identify and assess risks to safety and health, identify and take the necessary protective measures.
- When planning risk prevention in enterprises, it is necessary to take into account the impact of technology, work enterprise, working conditions, social relations and the impact of the environment on the workplace.
- The advantage the implementation of the ISO 31000: 2018 Risk management - Guidelines standard is its complexity and applicability in all processes carried out in risk management, as well as its applicability for all types of enterprises from the private to the public sector.
- According to this standard, the risk management process consists of 6 main stages:
  - scope, context, criteria,
  - risk assessment (includes risk identification, analysis and evaluation),
  - risk treatment,
  - recording and reporting,
  - communication and consultation,
  - monitoring and review.

- Risk management and crisis management interact with each other.
- If we focused only on the reactive phase of crisis management, then its task would be to respond to the crisis.
- The proactive phase, on the other hand, is part of risk management.
- However, risk management and crisis management of a enterprise can also be perceived as parallel processes, which take place simultaneously in the phase of prevention against corporate and economic crises.



*Fig. 2. The process of risk management and crisis management in a mutual relationship, (adjusted according to Šimák, 2016).*



- **ISO 31000: 2018 Risk management - Guidelines** and its connection to project management can also be found in the standard **ISO 21500: 2012 Guidance on project management**.
- All risk management activities related to project management are based on the **ISO 31000** process, which includes:
  - the systematic application of policies and procedures to communication and consultation activities,
  - context determination and evaluation,
  - processing, monitoring, control,
  - recording and reporting of risks and other process elements.
- The risk management process should be an integral part of management and decision-making and should be integrated into the structure, operations and project management processes of the enterprise.

# Conclusion

The established and managed risk management process with a systematic approach to work is a prerequisite for increasing the success of the implemented activities of enterprises in terms of risk and sustainable development.

The causes of foreseeable risk events can be influenced, therefore in some cases, it is possible to mitigate their negative impact by adequate measures.

Otherwise, the management of the enterprise or project should have prepared scenarios to minimize and manage the negative consequences that may take the form of a crisis.

Raising awareness of the possibilities and approaches to risk management and crisis management in corporate management as well as project management supports the success of implemented activities, development and expansion of the level of knowledge of all stakeholders.

The victors of the crisis are those who are prepared and able to adapt to negative changes in the environment efficiently and flexibly, and the fact that we can overcome one crisis will not guarantee any enterprise success in the future if it does not approach risk management as the prevention of crises systematically.

# Thank you for your attention!

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