

**RISK MANAGEMENT IN COMPANIES –A QUESTIONNAIRE  
AS AN INSTRUMENT FOR ANALYSING THE PRESENT SITUATION**

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**ABSTRACT**

*The topic risk management receives new impulses in the context of the financial and economic crisis in the years 2007 until 2011 as well as the question whether companies took consequences. The article briefly describes the importance of risk management and then explained the theoretical principles of empirical methods. Excerpts from developed questionnaire will be presented.*

**KEY WORDS**

*Industrial management, risk management, empirical research, qualitative and quantitative survey*

**INTRODUCTION**

From financial crisis on economic crisis to euro crisis - the crisis over the recent past (2007 to 2011) is associated with a variety of policy decisions, uncertain entrepreneurial environment and changes in the markets. As a result companies had to handle liquidity problems, regressive demand behaviour and declining public investments. These factors cannot be influenced and controlled by the companies themselves.

The question is whether adequate and functioning instruments are available to identify impacts of such crises and to take timely countermeasures. Otherwise companies need to adapt their management tools for the future. The number of corporate bankruptcies, which have increased significantly in relation to the pre-crisis years, can be considered as an indication of an inadequate design of management tools<sup>3</sup>.

Risk management is considered as an instrument whereby political, economic or legal developments can be detected early. The design of risk management in companies is unique as the challenges, which they have. To obtain an understanding of the situation in companies and to identify possible potential areas for improvement, a survey on the present situation in the company must be made.

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<sup>3</sup> See also Creditreform Insolvenzen in Europa 2009/2010

<https://www.creditreform.de/aktuelles/wirtschaftsforschung/insolvenzen-in-europa.html> (Stand: 28.12.2013)

At first it will be given a short overview about risk management for a better understanding. The next chapter describes the theoretical principles to develop a questionnaire and after that the questionnaire will be presented.

## **IMPORTANCE OF RISK MANAGEMENT**

The concept risk management is the process of handling with all opportunities and risks arising from the business processes along the value creation chain to avoid or reduce risks. The primary objective of risk management is to ensure the ongoing existence of the company. That does not mean to eliminate every risk because entrepreneurial activity always involves risks. Instead must be judged whether the risks are controllable or not. To meet this challenge, risk management must be a process that is integrated into all business processes and derives from companies' objectives.<sup>2</sup>

Based on the objectives and tasks of risk management two areas can be identified that are crucial for the design of risk management: strategic risk management and management of operational risks. Strategic risk management is linked with the risk policy and risk culture within the company because risk awareness at a higher level is necessary. An effective strategic risk management defines the framework and principles for the handling of opportunities and risks. Strategic risk management is the basis for the whole process and represents a fundamental management task. Operational risk management is connected with systematic risk analysis along the value creation chain and can be divided into four phases: risk identification – risk assessment – risk regulation – risk controlling.<sup>3</sup>

The entire process must be monitored to ensure the implementation and quality of risk management. The interaction and the phases of the process are shown in figure 1.

Companies will suffer the impact of the financial and economic crisis as well as the euro crisis in long term. The political and economic conditions will be furthermore uncertain. Changes and possibilities for manoeuvre must be detected early so that business decisions can be made quickly to secure the companies existence. The purpose of risk management is to provide the necessary information of high quality and at the right time.

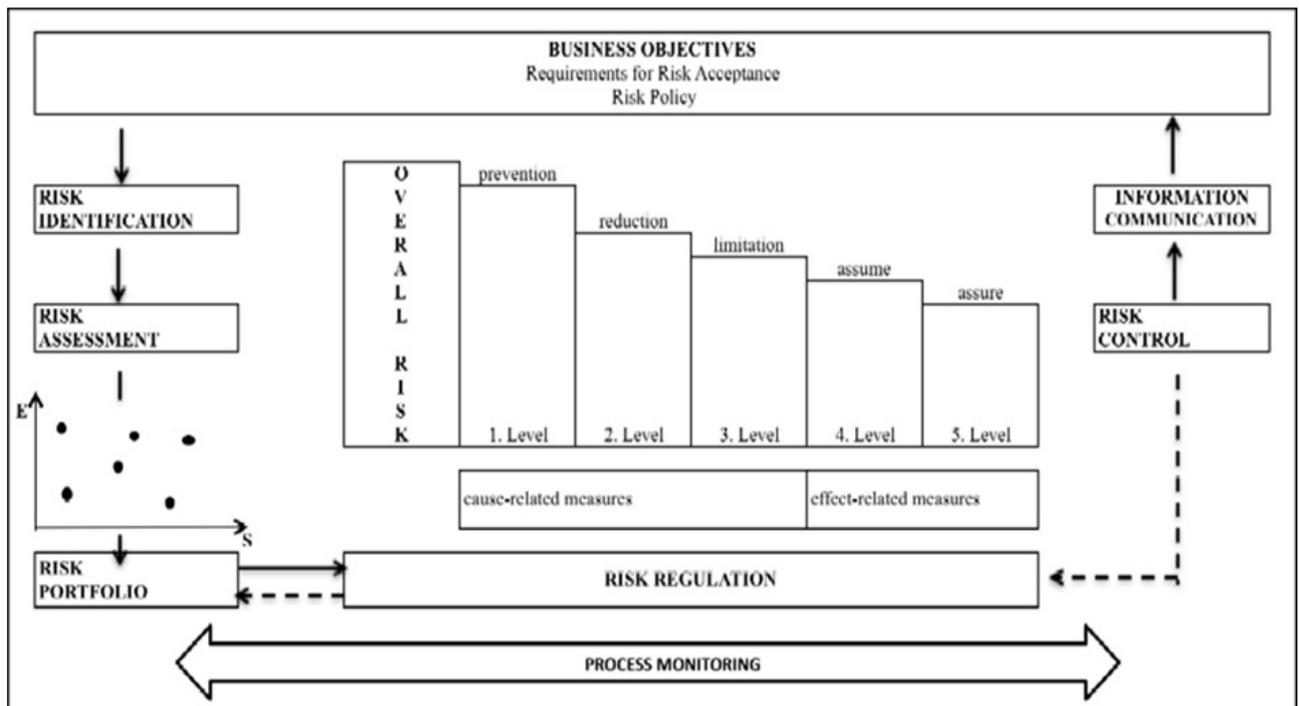
The implemented risk management process in companies was tested since the beginning of the financial crisis. The number of corporate insolvencies has increased significantly in comparison to the pre-crisis years, which can be considered as an indication of an inadequate design of risk management tools.

It is necessary to examine how companies handle this situation and what consequences they took or not. One method to evaluate the present situation of implementation of a risk management process is a survey. A short theoretical basis will be shown below.

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<sup>2</sup> See also Oetzel (2007) S. 57 ff.

<sup>3</sup> See also Vanini (2012) S. 10 ff.



*Fig. 1 Risk Management Process<sup>4</sup>*

## SURVEY AS A METHOD OF DATA COLLECTION

Empirical research is a scientific method which gains statements about reality by survey, observation or measurement. Data form the basis of empirical research. A distinction is made between primary data and secondary data. Primary data will be collected new. Secondary data already exist. In this article the focus will be in the collection of primary data, because secondary data do not really exist. Primary data can be upraised by a survey or by an observation. The survey is considered to be the main form of data collection and can be divided into two groups:<sup>5</sup>

- Qualitative survey: interview and
- Quantitative survey: questionnaire.

In qualitative research, data are collected through narrative or structured guideline interviews. The application depends on the intention of the question. Narrative interviews are used when the course or context of an issue should be applied. A thematic pre-structuring is not wanted. Structured guideline interviews are used when specific statements about a subject are needed. The structured guideline interview is characterized by open formulated questions to be used for orientation of all aspects of the research topic. The guidelines should be used consistently to increase the comparability of the statements. It is in the hand of the interviewer to allow variations. The interview of experts is a particular form of structured guideline interviews. The specific knowledge in a particular field of activity is in the foreground and not the individual person. In this case the guidelines have an even stronger control function. The format of the guideline has to consider the research topic in order to avoid a non-assessable amount of data. It should be structured in topics and themes to demand.<sup>6</sup>

<sup>4</sup> See also Gabler Wirtschaftslexikon <http://wirtschaftslexikon.gabler.de/Archiv/7669/risikomanagement-v9.html>

<sup>5</sup> See also Kaya in Albers / Klapper / Konradt / Walter / Wolf (2007) S. 49f.

<sup>6</sup> See also Mayer (2013) S. 28 f und 37 ff.

In quantitative research data are collected through standardized questionnaires. A questionnaire requires a high degree of structure in relation to the research question. The advantages and disadvantages are presented in the next table:<sup>7</sup>

<b>Advantage</b>	<b>Disadvantage</b>
No influence of the interviewer	No influence on the survey situation
Anonymity	High failure rate
Low time and cost effort	

The method is suitable for the survey of homogenous group. The whole questionnaire must be designed transparent and understandable because the interviewer will not be able to give explanations. Necessary conditions are therefore

- informative cover page,
- concrete instructions,
- explicit answer scale and
- attractive layout.

Experience shows that the structure and the language of a questionnaire are of great importance for a successful feedback. In the literature the design of a questionnaire is divided into two sections of planning: macro - and micro – planning. The macro planning includes the selection of superior main topics, which are supplemented with specific question items in the micro planning. By formulating the questions one can chose between open and closed questions. The information content of open questions is higher, why the people can answer more than in a given scheme. The analysis of open questions is more complicated, because you cannot follow simple statistical models. Open questions have also a risk of short and incomplete responses for various reasons (amount of time, bad spelling, lack of motivation). Closed questions are recommended for limited response options. They are more explicit and comparable and they offer a better opportunity for evaluation. The questions must be formulated neutral with appropriate response options. Positive and negative response options must be on the same level.<sup>8</sup>

### **DEVELOPMENT OF A QUESTIONNAIRE FOR EVALUATION OF IMPLEMENTED RISK MANAGEMENT IN COMPANIES (EXCERPT)**

The questionnaire will be developed to collect data about implementation of risk management in companies and changes in risk management as a result of the financial and economic crisis in the last years.

The questionnaire will be created in a postal and an electronical form. The target group is people in top or middle management, because in literature the organizational assignment of risk management is recommended in this management level. The survey will give results whether theoretical description in literature is fitting with the praxis in companies. The structure of the questionnaire is divided into four main topics:

- Questions about the company and the respondent,
- General questions about motivation, implementation and effectiveness of risk management,
- Questions about the risk management process in the company,
- Questions about the future development of the risk management process.

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<sup>7</sup> See also Berger (2010) S. 149 ff.

<sup>8</sup> See also Bortz/Döring (2006) S. 244 ff.

The table after the conclusion provides excerpts from the current level of development of the questionnaire. At a later stage the survey should be supplemented by an expert interview with guidelines to compensate the disadvantages of a questionnaire.

Ifd. Nr.	Question	Response Opportunities						Remarks
<b>TOPIC 1 - Company and Respondent</b>								
1	Type of Company	Manufacturer	Supplier	Other				
2	Enterprise Size	Large scale enterpris	Small and medium enterprises					
3	Legal Form	Stock Corporation	Limited Liability Company	Joint Partnership	Others			
3a	Part of Group	Yes	No					
4	Company Seat							
4a	Group Seat (if available)							
5	Year of Foundation	Start up	1-3 Years	3-5 Years	> 5 Years			
6	Number of Employees	until 20	20-50	50-250	250-500	> 500		
7	Position of Respondent	Board of Directors	Head of Department	Head of Risk Management Department	Consultant	Other		
<b>TOPIC 2 - Risk Management: Motivation, Implementation and Effectiveness</b>								
8	Is a risk management process in your company implemented?	Yes	No					
9	What are reasons for implementing a risk management process?	Law	Requirements of Auditors	Requirements of Supervisor Committee	Requirements of Credit Institutions, Suppliers or Customer	Experience of the last financial and economic crisis		multiple answers are possible
10	Did you see adaption needs for your implemented risk management process as a result of the financial and economical crisis in 2007 until 2011?	yes	no	do not know				
11	Can you predict changes in your business environment?	likely	partially likely	not likely				
11.1	Costumer Demand							
11.2	Availability of Resources							
11.3	Technological Changes							
11.4	Competition on the market							
11.5	Legally Changes							
<b>TOPIC 3 - Risk Management Process</b>								
12	Organisation of risk management in your company: who is responsible?	Board of Directors	Head of Departments	risk management unit	Controlling	Internal audit	Others	
13	Where is the risk management documented?	Handbook of organization	Handbook of risk management	Finance / Controlling	Qualitymanagement	no written documentation	Others	
<b>TOPIC 4 - Risk Management: Future Changes</b>								
14	In which areas do you see the need for changes?	No Need for Action	Need for Action	High Need for Action				
14.1	Improve methods of risk assessment							
14.2	Development of a corporate risk profile							
14.3	Implementation of early warning systems							
14.4	Integration of risk management into the corporate planning and controlling							
14.5	Improving the risk sensitivity of employeess							
14.6	Creating and Testing Crisis Management Plans							
14.7	Other Actions, which							

## CONCLUSION

In the empirical research theoretical models are developed to a specific question on the basis of theoretical knowledge and previous studies. From the models hypotheses are derived which are checked with the help of qualitative and quantitative methods and adjusted if necessary.

In the field of risk management it is very important to learn whether companies have changed their risk management process as a result of the younger economic crisis in order to detect future crisis earlier and to ensure a proper risk management process to enable the companies to survive in economical rough times.

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