

# The Role of Risk Management and Business Control for a Small Business

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**Abstract:** *Now a days, economic environment is growing widely, so the risk management become popular as compare to earlier year. The growth of any economy is always related to these small and medium size enterprises. Business management is most important factor in any type of business, as it relates to growth of business. Any business always comes with multiple risk factors in market place. So risk management is important for maintaining balance of our business and there growth. Business risk can destroy small business, so the risk management is important to prevent business. In the paper, the risk management process is studied and business controls are introduced to prevent small and medium size company. It has given effective solution for business control in marketplace. This paper proposed the role of risk management in corporation, internal and external risk management, and project risk and business control management process.*

**Keywords:** *Risk Management, Risk, Small Companies, Enterprise Risk Management*

## 1. INTRODUCTION

Now a days, Risk is a part of every issue of life. In business risk is a most important factor, for growth of business as well as for decrease in business. Risk is a term which is related to the development of small and medium size companies. Small and medium companies in market have to take a various decisions related to their business work. The decisions may be taken in the growth of business or a reduction in business. For any business capital background must be strong. In small companies, if capital background is not strong then it may lead to interruption in business operation activities and financial loss.

Personal conflicts square measure external risks for each business house owners and staff. Families and houses don't stop to exist at the start of a piece day. Youngsters become unwell. Medical emergencies, or worse, may happen. Repairs and maintenance can be needed reception. For tiny low business owner, involvement within the community creates visibility. However, the visibility comes with a price, mainly time. Staff and their youngster's square measure concerned in outside activities additionally. We tend to don't typically consider

outside activities as a risk, however contemplate how you'd handle this situation: your most reliable manager desires to attend Associate in Nursing out of-town game along with her kid on the busiest day of the month. Even self-complacency may be a risk. Self-complacency comes from being snug. Your business is also successful and has been for a moment. You will be snug with the hours you're operating, however you will miss opportunities for growth as a result of you do not need to expend the additional effort. Now, multiply the impact of self-complacency as a result of self-complacency additionally happens to staff. To the aspect of risk management total risk management deals with each and every working tools and opportunities is a key for business life. Risk always comes with multiple challenges in any business. Risk is of any type either internal or external risk, both are equally important. So for balancing small business risk management is mostly required.

## 2. RELATED STUDY

As any enterprises have to invest money for their business and project management, so to avoid

money loss in business, they have to follow risk management concept. Risk can be any type it may be financial risk or internal employment risk and may be management risk.

### 2.1 Risk Management Concept

Risk management is that the method of distinguishing, assessing and dominant threats to an organization capital and company earnings. These threats or risks might come from a good type of sources together with money uncertainty. As well as legal liabilities and strategic management errors can be occur due to risk. It may lead to people accidents and natural disasters due to loss. IT security threats and data-related risks these to threads are most important in any company. Also the risk management ways to alleviate them, became a high priority for digitized companies.

Risk assessment is a process of solving risk by identifying reasons behind that risk and type of risk. As a result, a risk management set up more and more includes company's processes for identifying and dominant threats to its digital assets. As well the persons in the company can use the data for bad things to make company position down in market place. Every business and organization faces the chance of sudden, harmful events that may price the corporate cash or cause it to for good things. Risk management permits organizations to aim to arrange for the surprising by minimizing risks and further prices before they happen. Assets of any enterprises have to secure because it is main data of work in that enterprises. Threads in information technology may lead to company value and growth also to the life of company.

### 2.2 Types of Risk

There are many types of risk available in any domain. It can be business risk, financial risk, operational risk and strategic risk, legal risk and many others. There are lots of risk occurs in any business. As main risk which are mostly common explain this paper to understand concept of risk. Some of them are as follows:

- Business Risk
- Financial Risk
- Strategic Risk
- Operational Risk

These types of risk are certain in any company and proposes many threads for information and technology. Also the customer management and project development in enterprises must require these type of risk to accept for growing and improving their business. To maintain business risk

is key factor either it may affect the assets or it takes the business in high level.



Fig. 1: Types of Risk

- **Business Risk:**

Business Risk is a first step to introduce type of business in market place. Which type of business you are going for and how to manage that business is a first discussion in any business. Which business customer wants to start, which type of knowledge they have and what is the source of that business. These things are most important for starting any small and medium size business. First of all we have to collect knowledge about subject of business. After that in which place they are starting business is important. In market place or in technical hub a small business can be start.

- **Strategic Risk:**

Strategic Risk is middle step for any type of business. To start any businessperson have to make some strategy. Strategy are of two type's weak strategy and strong strategy. If business strategy is weak then they have to face lots of increase and decrease in business. So for starting any type of business they should make strong strategy. Strong strategy means how to start up business, how to evolve customers and how to do publicity of business. These things are most important in any enterprises to maintain the flow of business in market place.

- **Financial Risk:**

Financial Risk is a third step for starting small and medium type business. Money is required to build business. Construction of place and content is required for starting any small business. If person is financially stable, then they never face any financial crises during buildup of business. But if person doesn't have sufficient funds to carry out business, then they have to borrow money from banks as a loan or arrange some fund from anywhere else. After successful financial condition person can start business fluently and maintain business with money.

- **Operational Risk:**

Operational Risk is a fourth step for processing small and medium size of business. After starting business they have to think about flow of business. Flow of business that means constant working of business without any type of loss. Threads can be come in business, it may be internal threads or external threads. Internal threads come may be due to workers in company or due to their behavior towards customer. Internal threads may affects the assets of company by sharing data to somewhere or making unauthorized access in company valuable things. External threads can come from outside as a net attack in company or financial fund loss due to share markets. Also due to the project management in the company. To process successful operation in any business maintenance is most important.



**Fig. 2: Risk Management**

In risk management first of all they have to identify type of risk, after identifying risk processing is start. By analyzing risk assess they find the reason behind that risk. When the reason behind that risk is analyze then future term is introduce. People of business have to discuss the risk and there advantages and disadvantages. After making discussion the proper planning can be done on threads. Final the plan on threads and implement the solution work for that threads. Person have to measure a threads, them make controlling on that threads. After measure and control, they have to monitor risk. These process minimize the risk percent or destroy the threads completely from business. These process is continue for management of risk. These is most important to manage risk for any small and medium size of business. It is completely affect the economic growth of business.

### 3. PROPOSED SYSTEM

As risks are not likely equal, based on the frequency of occurring, based totally on degree of Consequences, or base on the nature of chance. Those are the not unusual methods for risks to be

labeled. From probability point, dangers may be named from in all likelihood dangers; feasible dangers; Hypothetical risks to imaginary risks; wherein losses can occur generally, moderately, or be theoretically feasible or maybe unlikely exist. In this paper, the author will check out exceptional .Chance kinds based totally on the nature of them. The Dialogue will involve hazard risk, monetary chance, Operational danger and strategic dangers. Insurance corporations have usually been running with hazard evaluation and risk evaluation to ensure their customer's companies and their personal profit live on course. Nowadays dangermanagement involves every type of groups, from regulators, debt score groups, Global conglomerates, to small firms. It. Financial disaster that stirred the complete international, however similarly past that, losses from their very own operations and collapses of other businesses make managers trade to lead cautiously. The improvement in risk can enhance the balancing towards the reseller and maintain the value of business. Also it will influence the business and increase the customers in company. The strategy is main deal in any company to increase business. Make such a strategy that is required to maintain the growth of products in enterprise. Seasonable can use small business owner to improve performance.



**Fig. 3: Proposed System of Risk management**

The above system proposed that risk management is important for maintaining any business in market place. After going on to business the development risk is start to the life of business. Development risk includes all strategy and operation of work in any enterprises. The management of development includes two ways to manage process, one is internal process and another is external influences. The internal process comes with internal threads. Internal threads may be related to the business development. The main projects in any company has to manage throughout the deployment in company.

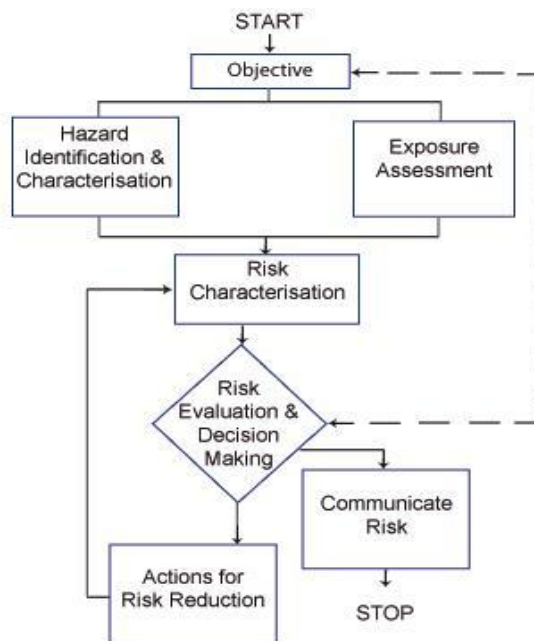
External influence means when external threads are coming in business. External attacks on

company like financial threads and customer unavailability. To manage this risk we have to manage the development in company. First of all they have to understand the customer needs and then make the prime mission product. Make such a products that customer wants to buy from company as a first need. Also introduce the supporting products in company for better performance of company. When customer buy any products from company then only it will increase the economic growth of company.

In small and medium size companies the financial risk is high. It is plain that effective risk control enhance the company's information of exposures which might be predicted to doubtlessly undertaking the firm and treating chance as a possibility than as a danger most effective. For this reason, integrated and effective risk control expected to help a sound decision making, which ultimately improve organization's performance via improving the precision in balancing the tradeoff between hazard and expected return in year the higher the business enterprise recognize its inherent risks the more self-belief it will increase in order to pursue possibilities.

#### 4. RISK MANAGEMENT SYSTEM FLOW

The effectiveness of threat management improves responsibility among stakeholders, thereby decorate effectiveness of company governance and strategic aggressive blessings. As a consequence, integrating chance control activities and documentation of the danger control method may want to have extra contribution inside the identification of commercial enterprise opportunities and helps the distribution of knowledge and satisfactory practices.

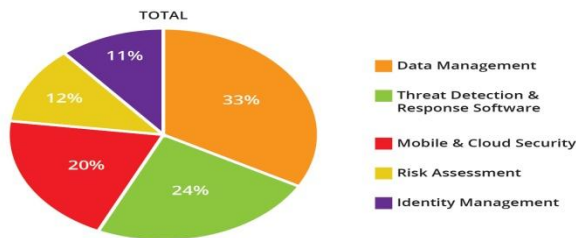


**Fig. 4: Flow diagram of Risk Management**

The above flow diagram shows a flow of working in risk management. Hazard identification and characterization technique is used to minimize the threads in business. These business risk is main by hazard risk identification. Firstly they have to identify a risk in business, then observe which type of risk is this. Then analyze reasons behind such a threads in company. This technique characterizes the risk in all forms of threads destitution. After risk characterization, a discussion is start for managing that risk. For that evaluation done, it contain percent wise risk evaluation on marking each type of threads. Communication of persons is taken on that threads then proper decision make on that risk to solve further. Proper communication is needed with security and trusted people to save business assets. It is most important to maintain assets security of company while making risk decisions which particular. Then planning is start for reducing and destroying risk by taking some actions for risk reduction. Risk reduction process the threads and try to completely minimize threads or destroy it.

Agenda ordinary conferences with managers to speak about risks. For instance, upload discussions of hazard to sales conferences agendas. Employers have the duty to provide a secure place of work. Employers have to offer their personnel with a place of work that does not have serious dangers and follow all applicable federal, state, and nearby safety and fitness requirements. Additionally, create a tick list of the physical building that consists of regions of maintenance, desires, and upkeep. Complete a month-to-month stroll-around to be aware areas that require interest. Have

managers whole a weekly evaluation of the facility for much less enormous items. Be involved in the community or have a person who can replace you on changes in the community that affect your commercial enterprise.



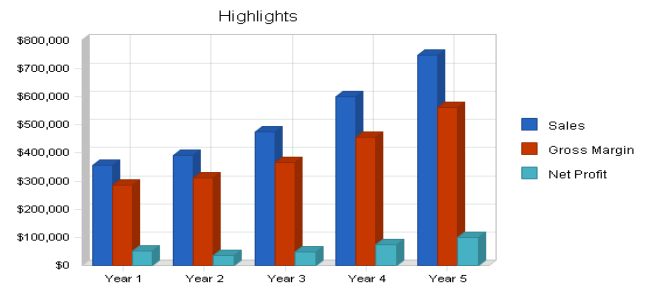
**Fig. 5: Percent Detection of Risk Management**

The percent wise risk detection is important for identifying total working of enterprises. Data management in any company always have large percent, because it contain project and working data, also the employee data in company. The responsive software is used to detect threads in company. Mobile and cloud security is important for saving and secure the online working data and documents of company. After Risk detection risk assessment is perform for solving risk. Then to avoid the unauthorized access in business they have to identify the management system for better benefit of company.

Live knowledgeable of federal, nation, county, and local legal guidelines that could affect your enterprise. Lines of credit are vital chorus from using the whole line to give yourself a margin of safety to cope with an emergency. Communicate with an insurance agent approximately enterprise risks. Take a look at to look if your commercial enterprise is in a flood region requiring flood coverage. Whether your personal or hire it is critical to defend your enterprise from fire, water, and other damage dangers.

Danger management emphasizes the skills of a commercial enterprise to expect changes, not the avoid chance. Avoidance of dangers way expecting the event to appear then react to it, instead than prepare for the modifications. In fact, many corporations select to avoid risk, as of their most effective danger management method. In a single hand, this strategy allows completely protection from precise losses. In other hand, this strategy deprives profit, and might reason some other hazard. Despite being vital to monetary increase, small and micro businesses live at small scales, because the distinctive feature of their commercial enterprise entities. Consequently, what they cannot keep away from is difficult opposition among larger corporations to benefit a visible and

profitable marketplace percentage. Undesirable activities which cause poor effect on commercial enterprise operations are numerous to listing down and no longer all risks will in shape into simply one class.



**Fig. 6: Highlights of Business**

The above highlights of company shows the total turnover of business, also the sales in year and the net profit yearly in business. Gross margin is also indicated in graph for business. This indicates companies which have effective risk management tend to have positive performance as well as high investment in intellectual capital could associate with positive performance. The theoretical reviews, collectively with the writer's know-how of the case employer deliver a wider photo and permit the writer to implement the interview and provide recommendations. Inside the end result phase, the writer makes numerous tips for the case organization and other micro businesses to put into effect venture risk control correctly.

## 5. CONCLUSION

In small business many risk come in terms of development and financial risk. So for managing business development risk, they have to identify threads then minimize that threads using risk management technique. Risk management is only done when they compare the risk frequency and level of risk among the development section of business. And make sure that management in every place is done properly. The main aim is to maintain the performance of company by solving the internal and external risk which are affecting the sales of business.

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