RISK MANAGEMENT, ESSENTIAL CONDITION FOR DEVELOPMENT OF BUSINESS CONTINUITY PLAN

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ABSTRACT

In business, the risks are complex and multiple, being speculative. Entrepreneurs assume certain risks in business at the start, but also during its course. The capacity of organizations to address risks, depends on awareness of risk, how risk reporting processes are implemented and developed.

Within full economic crisis that threatens many sectors, organizations should review their strategy facing its reinvention of new economic models needs to secure the future. In this context, the organization of effective risk management and development of business continuity plans is the solution for organizations wishing to operate in an environment where manager's knowledge of information on potential risks, allows taking actions to prevent negative effects and making better decisions.

KEYWORDS: *risk, risk management, business continuity plan, decision, internal audit*

Unstable economic environment, marked by the collapse of transnational companies, the scale and brutality of the current economic crisis have sparked a keen interest on corporate governance mechanisms and its effects on performance organizations.

According to the French Institute of Audit and Internal Control, corporate governance is „all the responsibilities and management practices, aiming to provide strategic direction and ensure the objectives, to demonstrate that risks are well managed and resources are used in a responsible manner".

National and international good governance reflects the same view on the interdependence of internal control and risk management process within organizations. The boundaries between these concepts may appear in time, not always clear when risk management is a subdivision of internal control or vice versa. But it is clear that risk management is an integral part of corporate governance.

In business, the risks are complex and multiple, being speculative. Entrepreneurs assume certain risks in business at the start, but also during its course. For the organization's management is very important to identify and assess risks posed by current work or future to be able to base decisions on as complete information.The capacity of organizations to address risks, depends on awareness of risk, how risk reporting processes are implemented and developed.

Within full economic crisis that threatens many sectors, organizations should review their strategy facing its reinvention of new economic models needs to secure the future. In this context, the organization of effective risk management and development of business continuity plans is the solution for organizations wishing to operate in an environment where manager's knowledge of information on potential risks, allows taking actions to prevent negative effects and making better decisions**.** Evaluation and monitoring of risks important decisions became inevitable stages of decision making in large public or private organizations. Those charged with good governance must develop means of analysis and risk management and implement appropriate control tools.

RISK MANAGEMENT IN THE BUSINESS, IS A STRUCTURED APPROACH THAT INVOLVES STRATEGY AND PROCESSES, HUMAN RESOURCES, TECHNOLOGY AND KNOWLEDGE.THE BASIC STRUCTURE OF THE RISK MANAGEMENT PROCESS IS COMMON IN LARGE ORGANIZATIONS, AS REPORTED IN THE EXISTING STANDARDS DEVELOPED BY THE INSTITUTE OF RISK MANAGEMENT (IRM, 2002), THE UPDATED COSO IN 2004 ENTREPRISE RISK MANAGEMENT AND STANDARDS AUSTRALIA (2004).

Figure 1. Core Elements of the Risk Management Process. Source: M.Woods/Management Accounting Research 20 (2009) 69-81: Adapted from Institute of Risk Management(2002)

The central pillar of Fig.1 links each component of a risk management system directly back to organisational objectives via the complementary processes of monitoring and audit.

Identifying and managing risks is an integral part of management of the organization, but also good governance of the organization, in both private and public sector. In both sectors, the persons responsible for good governance of the organization, acting in the interest staheholders identifying, assessing risks and taking appropriate action on strategy, business plan, but also those related to compliance with laws, regulations and financial reporting.

The risk must be integrated into the organization's strategy, business plan, so that the objectives are achieved and performance is improved. Risks must be treated as a matter of strategy, so that:

- Plan results, the deployment process does not expose the organization to an unacceptable level of risk;
- Use of resources according to priorities;
- Risk management strategy must be integrated in all processes and at all levels and all staff must be responsible for risk management.

This approach creates certainty those concerned that the organization has a process formalized, systematic and proactive identification, risk management and monitoring.

An important issue relating to government organizations and risk management strategy is related to ensuring business continuity. It is possible that one may not materialize into a disaster. However, the probability component of risk requires us to manage uncertainty. Uncertainty can maintain long-term competitiveness and continuity of resources over time. This notion of continuity over time could be a natural response of deep crisis that forces us to walk and reinvent the trust and use the means to build. Risk assessment requires the organization to understand the operating environment, constraints and threats that could result if the activity ceases. The result of such a process requires the organization to develop business continuity plans in those areas deemed necessary to maintain business. The objective of business continuity management process is to provide resources to support important activities where they may be affected by any events with destructive effect.

Following a study by researchers in the field, the following items addresses to business continuity:

- Business continuity policy must be part of the organization's governance and risk management policies;
- Business continuity plans and processes help maintain activities in a contingency situation with destructive nature;
- Reporting incidents;
- Continuity of awareness and learning process.

Business continuity plan means all devices designed in a planned way and then implemented to ensure, according to various scenarios of crisis and after evidence of serious failures in the conduct of business critical processes, the continuity of these processes under the same conditions of volume, deadlines, and quality, compatible with legal, professional and economic enterprise.

Business continuity plan is a residual risk management tool, methodology based on methodological approach, and anticipation that characterizes the risk management process. This process calls for a structure for risk management, geared especially to the banking sector, being very sensitive to the risks to which it is exposed.

The first step in developing a business continuity plan is logical to consider the potential impact of each type of issues.Certainly is advantageous to undertake a full analysis of risks and their impact on business activity. Business continuity plan should be based on an impact assessment, taking into account a critical assessment of the system. Such analysis allows the developer to understand the magnitude of potential losses or other adverse events that may occur. These undesirable events can generate not only financial loss but also damage the image of the organization, regulatory issues.

Develop a business continuity plan is a necessity caused by factors existing within the organization but also by the regulators of markets. First we have the customers whose purpose is to ensure that no key service will be interrupted brutally. Then we have investors whose objective is to delineate exposure to major risks. Finally we mention the shareholders who claim an effective business continuity plan to limit exposure to risk and control costs involved in implementation of this process. These constraints imposed by shareholders and investors in the governance of companies are a strong reason to prepare a set of best practices that go beyond existing regulations.

The main objective of business continuity plan is to meet promises to customers that mean the commitments made by the company towards customers. Managers should be aware that in reality is to perform all business commitments to all partners and stakeholders who have helped building the business: investors, financial organizations, the public, employees, suppliers, customers. **This objective being achieved, the business continuity plan will have the following purposes:**

1. The most important aim is to ensure the maintenance company, minimizing financial impact, legal and material losses. Achieving this goal involves two aspects:

mastery required security knowledge to ensure continuity of business by continuing production and acceptance of the lowest levels in a crisis.

2. Without regard to a crisis, business continuity plan is designed to promote the conquest of new markets providing clients' interests.

Well designed, **business continuity plan has multiple advantages:**

a. disseminates the concept of hierarchy in business activities;

b. productivity growth as less important processes will be addressed;

c. improving the means of production because they are more reliable in the business continuity plan;

d. a permanent concern of employees to work, their vulnerability and exposure to risks.

Regarding the relationship between risk management and business continuity plan, most specialists recognize the complementarities of these processes, while highlighting differences regarding:

Methods:

- Risk Management: Risk analysis;
- Business continuity plan: Analysis of the impact.

Parameters used:

- Risk management: Probability and impact;
- Business continuity plan: Impact and time.

Type of incident:

- Risk management: All types of events classified by type of risk;
- Business continuity plan: The events that cause business interruption.

The scale of the event:

- Risk management: All event costs;
- Business continuity plan: Strategy to deal with incidents provided that threatens the survival of the enterprise.

Framework:

- Risk management: The main risks that may affect the objectives;
- Business continuity plan: It focuses primarily on incident management exceeding in most business skills.

Intensity:

- Risk management: All events, regardless of intensity;
- Business continuity plan: Rapid and unexpected events.

Source: Good Practice Guidelines 2008 -Business Continuity Institute

Business continuity management involves constraints, because it has a profound impact on the enterprise. The first obvious constraint is that related to the standardization of production means to enable interoperability. Business continuity plans involve high additional costs necessary for staff training, simulated critical situation, in order to overcome the risks that policy makers can not control.

In the current financial and economic crisis context, business continuity plan and disaster recovery is accepted as a necessity for every business and organization.

In most organizations there is a business continuity management plan, and the responsibilities and roles are clearly assigned and articulated.Although most organizations have an adequate business continuity plan, however they must supplement it with plans to support all sectors of activity that take place within the organization.

Globalization of markets, development of information and communication technologies and the internationalization of cultures caused great changes in the world. All these changes took place against a background of great uncertainties and risks, that bring new challenges, both in the public and private sectors. In this context, implementing effective risk management process and developing business continuity plans, enable managers to deal with these uncertainties and overcome the threats facing organizations.

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