MANAGEMENT AND ANTICIPATION OF RISK - A NECESSITY FOR LEADERS

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Abstract: As we take part in a series of imbalances that occur throughout the world, and globalization, with all its fundamental components, generates chain reactions when a phenomenon occurs, either positive or negative, the role of leaders in an organization is that of when trying to mitigate the effects of risks. The leader's attitude towards risk is important because the way he acts, how he manages and anticipates the risks lead the organization to success. To be able to manage and anticipate the risks of an organization, the leader must possess one of the most important qualities - the vision. By managing, anticipating and leading the vision, the effects of the risks to which organizations can be exposed due to frequent changes can be mitigated. Management and anticipation risks thus become a necessity for leaders, a distinctive element of the organization's struggle, differentiation from the competition by which it manages to foreshadow the future status of the organization. The purpose of this paper is to present the importance of risk management and their anticipation by leaders in order to reduce the effects of risks on the organization through a rigorous analysis of the specialized literature, of the scientific documents.
Key words: leadership,leader, vision, management risk, anticipation of risks.
JEL classification: G32, M12, O15.

1. Introduction

In today's society where everything has a price, information has very fast speed of movement, people have increasingly diverse interests, when we talk about the organizational environment, the pressures and changes that globalization brings, we indirectly say the need for adaptability fast. How do we differentiate one successful organization from another? Not only the technology ensures the evolution and resistance to change, but also the top management. By the top management, we refer mainly to the leader or leaders of the organization. Thus, the strength of a leader in these times is his ability to anticipate potential risks and mitigate their effects. The extended activity of an organization on a global scale thus forces the leader to create a risk management taking into account multiple aspects: socio-cultural, environmental, economic, technological etc. Also important to remember is that the risk is the one that can be insured, thus allowing the reduction of possible damages, while the uncertainty does not.

2. Risk management in organizations

Worldwide, The International Organization for Standardization ISO 31000: 2018 Risk Management Guidelines supports organizations in developing a risk management strategy in order to identify and reduce them effectively, thus increasing the likelihood of achieving their goals and developing the degree of asset protection. their. Its priority objective is to form and develop a culture of risk management in which the members of the organization and stakeholders are aware of the importance of monitoring and risk management at the level of the organizations to which they belong. The principles of ISO 31000: 2018 offer directions for optimizing risk management processes, which can be used by public entities and national and multinational companies, regardless of the size of the

organization or sector of activity. The ISO 31000: 2018 standard is designed to "increase the likelihood of achieving the objectives, improve the identification of opportunities and threats and effectively allocate and use resources for risk management" (International Organization for Standardization ISO 31000 website: www.iso. org / standard / 65694.html).

At the level of the organizational entity, risk management is a cyclical, proactive, continuous and systematic process of identifying, evaluating and managing the risks carried out at the level of the organizations, in order to provide reasonable assurances regarding the increase of the probability of achieving the objectives in an efficient and effective way effective (Figure 1).
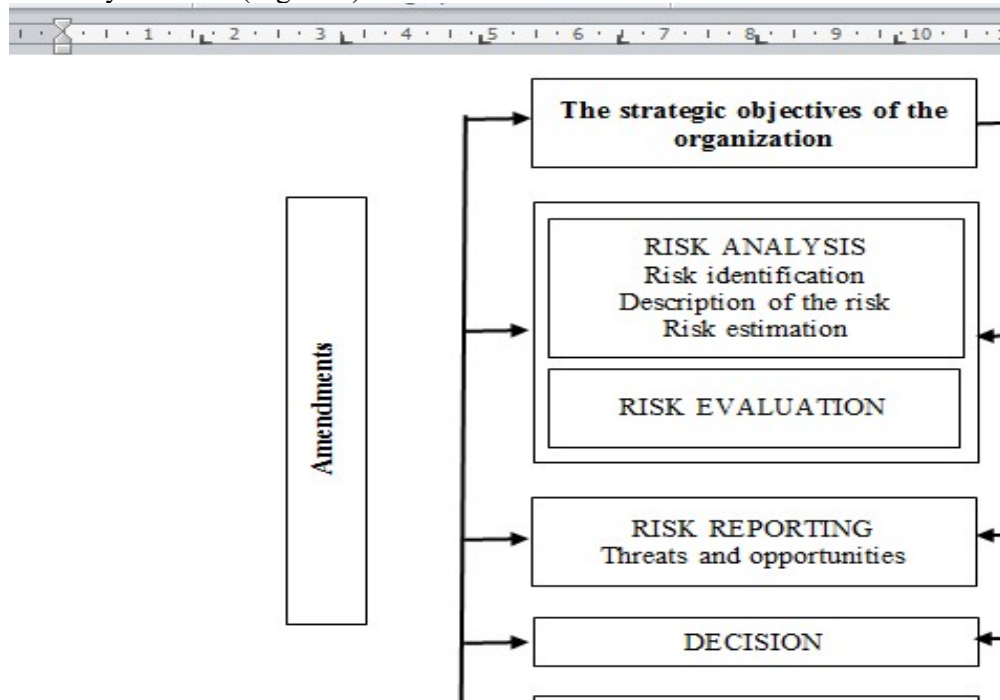

Figure 1. The structure of the risk management process in the AIRMIC, IRM, ALARM approach
Source: Institute of Risk Management - The Risk Management Process

Although the risks cannot be completely eliminated, most can be anticipated and managed efficiently and operationally. For the leaders of the organizations, the correct and timely identification of the risks associated with the specific objectives represents the result of a complex of factors related to the managerial experience, certified and practically proven competences and a special ability in successfully combining the specific methods, techniques and tools for risk identification, but also of the lessons learned.

The role of risk management in an organization can be multiple and brings a number of benefits to the organizational environment. Authors such as Acharyya and Brady (2014) argue that risk management encompasses a number of goals but also roles (Figure 2):
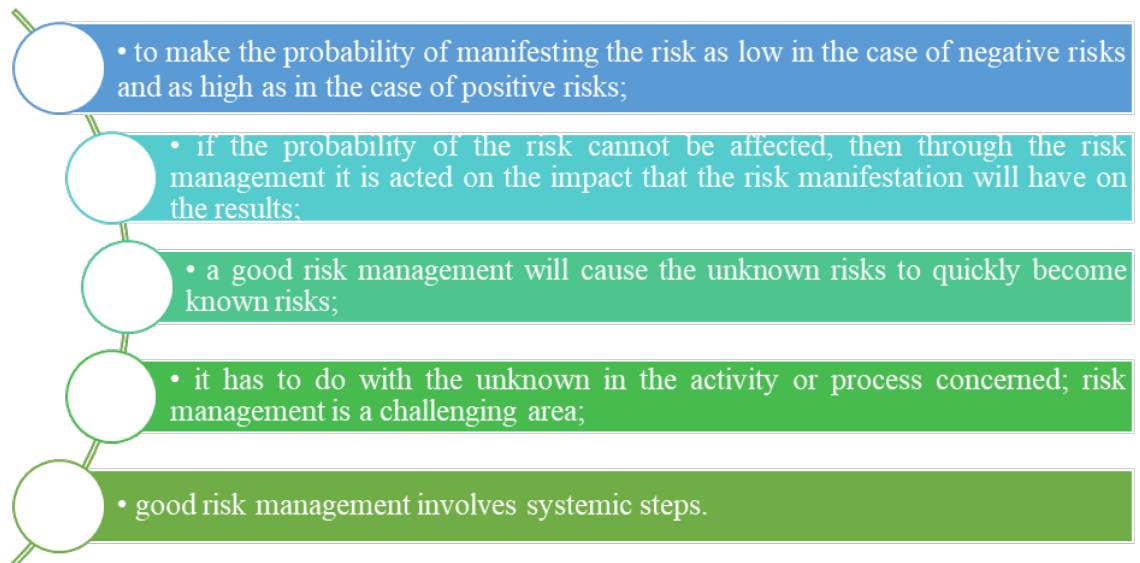
- to make the probability of manifesting the risk as low in the case of negative risks and as high as in the case of positive risks;

- if the probability of the risk cannot be affected, then through the risk management it is acted on the impact that the risk manifestation will have on the results;

- a good risk management will cause the unknown risks to quickly become known risks;

- it has to do with the unknown in the activity or process concerned; risk management is a challenging area;

- good risk management involves systemic steps.

Figure 2. The purpose of risk management in an organization
Source: made by the author after Acharyya, M., & Chris, B. (2014). Designing an Enteprise Risk Management Curriculum for Business Studies: Insights from a Pilot Program. Risk Management and Insurance Review, 17(1), 113-136.

The complex and continuous process of risk management in educational organizational entities is also a component part of the internal management control system, with the help of which the leaders or the managers with attributions in this field manage the significant risks, identified within the organization, the final purpose of this process being to keep these risks at an acceptable level. From this perspective, the risk management system must be integrated into the management system of the educational organization and use techniques, methods and working tools, communication channels as well as specific procedures adapted and correlated with the other elements of the management system.

The efficiency of the management management process derives from the existence at the organization level of the following entities and documents:

- structure (compartment, office, department) with responsibilities in risk management;
- responsible for risk management at the level of each structure within the organizational entity;
- elaboration and implementation of the system procedure in the field of risk management;
- risk register.

The structure with responsibilities in risk management is the organizational entity designated to carry out activities, independent or integrated in other structures, to carry out all the stages provided in the process, as follows: establishing the specific and operational objectives of the organizational entity, identifying the risks associated with the planned objectives or activities, assessing the risks and risk management.

The person in charge of risk management is the person established at the level of each compartment (office, department, department, department) with rigorously established attributions, which covers all the processes regarding the identification, evaluation and assessment of risks, establishing a set of mitigation and / or anticipation measures. , periodic review and monitoring of progress.

The system procedure in the field of risk management represents the document elaborated, which establishes a general unitary framework, at the level of the organizational entity, for identification, evaluation and risk management.

The risk register, the document resulting from the risk identification process, is an essential working tool for the successful management of risks. After elaboration, the risk register becomes part of the documents specific to the risk management process and includes the previous records that will be used to carry out future risk identification activities.

3. The link between leadership and risk management

Leadership is a field of great interest nowadays as it has an increasing impact on the world around us. Thus, starting from the concept of organizational leadership, we want to highlight how leaders balance with their skills (creativity, innovation and vision, etc.) risk management.

It is thus understood, that leaders everywhere are taking part in a series of constantly changing realities determined by profound economic, political, social but also technological progress. Organizational environments are at the center of changes that demand a new leadership model (Goleman, Boyatzis, & Mckee, 2018). As a result, organizations are trying hard to adapt to the demands generated by the changes that have occurred, and their leaders face a myriad of risks that are sometimes difficult to anticipate because they happen to fail to define them from time to time. or raise awareness. Thus, risks have become a topical issue that leaders face almost daily. In this situation, leadership could be the main component of mitigating the effects of the risks, ensuring the vision, but also the dedication necessary to materialize the vision.

The vision outlines the leaders' conception of what the organization is today, how it should look over a certain period of time, and what is the path to follow between the existing and the desired situation. Practicing a vision is not always an easy task, it involves risks that can lead to consequences. The visionaries are those who progress through change and who are able to draw new boundaries. Visionary leaders are able to convey to people that they play an important role within the organization, and as we are well aware, progress always requires risks. Leaders must be willing to do things that others do not want to do and take risks (Maxwell, 2010).

The power of anticipating risks and making decisions in difficult situations distinguish true leaders from the rest, they distinguish simple leaders from visionary leaders. When the organization goes through unpleasant times, a good leader will know how to give directives, encourage progress and change, put his vision into practice, coming up with unique solutions. In such situations, only the best leaders can effectively run an organization, making the hardest decisions.

While risk awareness should be both intuitive and conscious, decisions need to be proactive, not passive or negligent. Closely related to the mission and organizational culture are the leadership skills of the leaders, their own experience and the accumulated experience, all influenced by the ability to discover and judge the risks.

4. Risk management and anticipation by leaders

The leaders of the organization are also very essential in the process of managing and preventing risks, because they "articulate their objectives, the organization, develop strategies ..., identify the risks to achieve these objectives and then diminish these risks in achieving the strategy" (DeLoach & Thompson, 2014, p. 2). According to the Committee of Sponsoring Organizations - COSO, leaders are those who provide guidance and

directions as they establish and "agree on what represents risk" for the organization (COSO, 2009, p. 10) and adopts, develops appropriate strategies for managing risks. Curtis and Carey (2012, p. 18) I believe that the correct risk assessment will be done only when the leaders of the organization at all levels use the appropriate information to make the right decisions.

Risk identification represents the first and most important phase of the risk management process (Figure 3), which consists of identifying the potential dangers that exist within the entity.
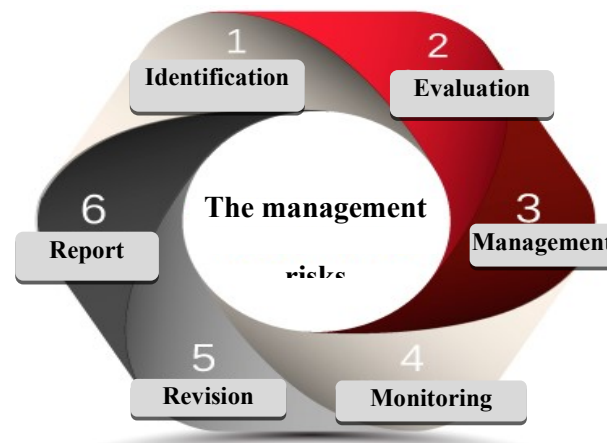

Figure 3. Structure of the risk management process at the level of public entities
Source: Metodologia de management al riscurilor, 2014-2020, p. 6

Regarding the risk assessment stage, Cleary and I. Malleret (Cleary & Malleret, 2007) specifies that risk assessment depends on who you are and what you do. The leaders of the organization, the boards of directors, while responsible for monitoring, evaluating, avoiding or managing the risk, have different levels of responsibility for its supervision.

When we talk about risk-taking behavior among the leaders and agents of an organization, attitude to risk is an important component of organizational success. In almost every major industry, successful business executives can easily identify a risky decision that has served as a platform for achieving above-average organizational results (Gerstner, 2001). There are also authors who refer to risk intelligence, which represents a person or an organization that has the ability to measure risks effectively, involving the classification, storage, characterization, retrieval and action of relevant information, provided that communication and adaptation efficiency are in place. to new circumstances (Apgar, 2006).

Risk is something that every employee, but especially the leaders of an organization, have a duty to control as much as they can, even if there is little evidence of its existence. Apgar (2006) argues that organizational effectiveness is improved, now more than ever before, but at the same time leaders must look back, because risk is not just something to be managed and even so, this management becomes an increasingly risky action. Thus, one of the key behaviors of effective leaders is the willingness to take risks, because risk is an element of novelty that we face every day. By definition, leaders are professionals. If there is no risk, a low level of leadership is required.

If the effort is easy and sure to succeed, anyone can and probably will "lead" it. But if the effort involves a risk of failure, many people will shy away from the challenge. Managing risk taking is necessary for people to make the commitment and effort to

succeed. Strong leaders are not afraid to challenge the current situation. You don't have to "run with the crowd".

Risk management means achieving objectives with the help of employees, within all public entities. Although we can define risk management by this simple statement, the activities carried out by a leader are much more complex and dynamic, involving, in most cases, creativity, adaptability or innovation capacity, without the list of qualities of the modern manager to stop here. British Leadership Expert, J. Adair (2014), assigns the following qualities of a risk-taking leader: firmness, ability to mobilize energy, integration, imagination, willingness to work, ability to be analytical, ability to understand others, ability to grasp opportunities, ability to overcome unpleasant situations, to adapt to any change. Although it is quite difficult to find a generally valid definition for these qualities, it is certain that a leader needs intelligence, a positive attitude and a combination of courage, insight and a sense of reality.

5. Conclusions

Risk is an important dimension of human existence, being present at every step and in every field of activity. Willingness, fear of failure, anxiety or emotionality can negatively influence attitude toward risk, but each person has their own psychological mechanisms through which they can react effectively in potentially dangerous cases.

Risk management and especially the leader's attitude towards risk is very important to be able to manage, anticipate and mitigate risks because each activity of the company will inevitably face a variety of risks that can affect the achievement of corporate objectives. For each organization it is important to have a strong risk culture that implies that employees understand the strategic orientation of the organization and a willingness to take risk. The leader's strong desire to lead, commitment and involvement for the organization can change the way an organization behaves and makes decisions. Risk management should be successfully incorporated into an organization when the beliefs and behaviors of the employees in that organization reflect the understanding of the risks, the awareness of the risks and the implementation of the risk management framework. In conclusion, the leader is not afraid to take risks and encourages followers to take risks. Risks once materialized create a precedent, so it can be used as a learning method within entities that have such a culture of risk management.

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