

## ENSURING FINANCIAL STABILITY OF COMPANIES ON THE BASIS OF INTERNATIONAL EXPERIENCE IN CONSTRUCTION OF RISKS MAPS, INTERNAL CONTROL AND AUDIT

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**Abstract:** The managerial information can be considered as the basis for implementation of system organized phenomena which provide development of instruments, methods and strategies of management. The information is updated and implemented in the system of control actions on the object of management. A universal principle of information and financial correspondence of techniques and instruments exists between managerial information and selected vector of the financial strategy of the company development. In conditions of close informational interaction of professional auditing companies and their regular customers the construction of enterprise risk maps takes place, which allows eliminating imbalances of development based on financial consulting. It is professional financial consulting on the basis of high-quality managerial information that enables companies interacting with auditors to ensure financial stability.

**Key Words:** Financial stability, risk management, integrated risk management, risks map, financial strategy, managerial information, audit.

Currently in terms of economic recession short-term priorities in financial activity of companies prevail over the long-term. The research of the Southern Federal District companies showed that in discussing the strategy about 70% of managers focus on period from one to three years. Only 9% of companies have enough confidence in perspectives for business development to predict a strategy for 5-10 years or more. In the course of the survey 35% of managers of the Southern Federal District companies noted that in 2015-2016 their companies faced serious risks and financial difficulties (Aksyonov, Sichev and Holina, 2016). In 2016 35% of the responded executives out of 50 companies analyzed in the course of research expect deterioration of financial and economic indicators. 16% expect their improvement. Majority of directors (64%) believe that continuation of the Russian economy growth can be expected not earlier than 2017 (Aksyonov, Sichev and Holina, 2016). The list of main risks for Russian companies includes the following: geopolitical instability, change in consumers'

behavior, expensive loans as well as lack of qualified managerial human resources. Currently financial management implements tactical measures to the prejudice of strategic interests of companies' development. In conditions of crisis most companies revised their strategies under the influence of such factors as ruble devaluation, difficult access to the capital (first of all credit resources due to the lack of liquid pledge), reduction in oil prices and consequences of the sectoral sanctions introduction from the US and the European Union with regard to Russian companies. Management of a company is connected with delegation of the goals and tasks with which a manager faces (Thalassinos et al., 2013; Carstina et al., 2015).

Concentration of financial levers (rewards and limitations) in the manager's hands strengthens importance of these communications for the company's sustainable development. Control action from top is understood at the bottom as a signal related with the surrounding circumstances and processes. In the western culture of production high chances for a victory of the strongest are provided thanks to functioning of the uniform competitive field ("level playing field"), action of the general for all rules (Shpengler, 1995; Hamid and Won Kie, 2016). According to A. V. Kuznetsov, "the operating influence from above is perceived below as the signal coordinated to surrounding circumstances and processes" (Kuznetsov, 2015). To ensure financial stability the companies must critically assess business processes and revise business models of development (Allegret et al., 2016; Grima et al., 2016). Main direction of activities in modern management system is cost optimization, restructuring of core business processes of financial management on the basis of risk management programs, diversification of products and services. Management of the company financial stability is connected with more flexibility of financial strategy of development and adaptability when it is important to provide business development with financial resources in related industries, e.g. construction and processing companies (Averina et al., 2016; Havlíček et al., 2013). Currently some Russian companies have stopped large investment projects. In order to ensure financial stability in conditions of increasing limiting factors Russian companies have started reformatting business processes, because they have not formed anti-crisis strategies of development as well as efficient business processes. Digital business transformation can be assigned to modern problems of modern system of the company financial management. To ensure financial stability modern companies need to introduce new information technologies not only in production but also in the risk assessment system. The main methodological approach to the research of opportunities of a modern company sustainable development lies in the fact that it is necessary to study the vector of this strategy as an integral part of the financial strategy. It is to build the correct vector of the company development that verified information related to assessment of specific parameters in the given conditions is required for. 2.

Theoretical, informational and empirical, and methodological grounds of the research. The problem of ensuring financial stability of Russian companies is connected with the absence of quality instruments and methods for its building. Complex recording of the parameters of external and internal environment of the company's operation carried out in the course of risk management process can provide, according to scientists, effectiveness of operation and sustainable development of the company (Bobrova, 2014). In modern economy there are many methods of risk management but the most widespread among them (hedging) cannot be applied to Russian companies due to the absence of derivative financial instruments. Risk management provides technological support of business processes in the identification of risk assessment. According to experts risk management presents an information methodical instrumentarium combining achievements in the field of mathematics, probability theories, statistics, economics, and management theory (Granaturov, 2010; Krichevsky, 2012; Rykhtikova, 2010; Thalassinou et al., 2010; 2013; 2015; Boldeanu and Tache, 2016; Hes and Jílková, 2016). Modern risk management programs integrate the method of risks identification and description, qualitative and quantitative assessment of risks, choice of risk management strategies and their monitoring. Russian companies use different methods and instruments for risk management: work based on prepayments, special conditions in contracts, insurance and many others. At the same time unified internal control procedures for each type of risk should be developed for implementation of an integrated approach to risk management (Thalassinou et al., 2010). In large companies separate employees or even entire departments deal with internal control of business processes. In small and medium-size businesses information systems of internal control of financial flows of the company are only being formed, so effective internal control can be created with help of external experts such as professional consulting or auditing companies. The problem of creating internal control system for Russian companies which actively cooperate with commercial banks and participate in public procurement is particularly up-to-date. Participation in macroeconomic business processes requires from Russian companies institutional economic behavior and transparency of financial flows. Specific character of internal control system organization in the companies depends first of all on size of the enterprise. For example for companies with an annual turnover of 200-300 million rubles it is rational to employ special employees who will be engaged in the audit of deals and financial operations, procurement analysis, verification of contractors and other activities.

In small companies belonging to small and medium-size businesses the majority of control functions are transferred to the services of risk management. Implementation of the anti-crisis strategy of development of a company is formed taking into consideration authoritative information. Such strategy has to be aimed at obtaining information on the real situation in a company. According to the results of synthesis of



the international experience, in order to overcome all components of a crisis information has to capture all: the institutional environment, the technological sphere, and parameters of economic model of development (Kulkov, 2015; Fetai, 2015). At the same time the managerial information cannot exist on its own without presence of effective impact of the subject of management. Creative vector impulse coming from the subject determines the quality of information management, aimed at elaboration of the company's development strategy. Following elaboration of the strategy aimed at ensuring the strategy of growth as a system phenomenon, to ensure stability it is necessary to search for financial instruments determining the conditions of the company's development under the changing conditions. Thus the managerial information can be considered as the basis for implementation of system organized phenomena which provide development of instruments, methods and strategies of management. The information is updated and implemented in the system of control actions on the object of management. The managerial information selected in a right way helps to create an effective multilevel structural and functional organization, owing to which the individual business processes as structural elements of the management system will interact with each other as a part of the unified integrity. Consequently management information serves as an integral and necessary element of the company's management system aimed at ensuring business stability. When two or more management systems interact, e.g. such as strategic and financial, the strategy of the company's development is formed.

In the formation of different vectors of company development different types of vectors interaction between instruments, according to Prof. Osipov, methods and strategies appear (Osipov, 2014). It defines the need to consider and apply managerial information as the basis for the information and financial development of companies. Herewith a universal principle of information and financial correspondence of techniques and instruments exists between managerial information and selected vector of the financial strategy of the company development. Thus managerial information is an attribute characteristic of risk management system, implemented through business processes connected with identification of the company's development risks. Work on risks is actualized through system interactions of companies and contractors on the basis of creating a stable system of financial relations between the company, its customers and contractors. The main prerequisite for formation of the company financial stability model is the methodological provision that condition and main purpose of development of the company as a system of interconnected contractors' relations is the accumulation of managerial information, as well as effective instruments for its processing and managers' use (Toynbee, 1999). System economic phenomena (cost, price, money, inflation, profits and interest) involved in the process of implementing the company's strategy should ensure its financial stability. All these economic phenomena aimed at

sustainable growth of the company have information and financial nature. When it is referred to managerial information as to the fundamental instrument of risk management, it is meant that this information should be directed at reducing risks. Risk in modern financial economy can be considered as an inherent element of development in all economic systems and organizations which are implemented as a system of negative events of common information content. The concept of the company's financial stability management can be represented as a system of risk management established on the basis of the adaptive economic information. One of the main distinguishing features of the concept of the company's financial stability management is to overcome a traditional opposition of information and risk. Principally new provision is also a justification of the thesis that spontaneous unforeseen risks reducing financial stability of the company and violating business processes cannot occur in modern management system. Stable or unstable development of modern companies depends on existence of order or chaos in modern financial economy, level of corporate management which is always determined by actions of the subjects of control.

It should also be noted that level of financial and economic relations between the subjects of modern economy depends also on quality of managerial information and level of organization of information exchange. Effectiveness of corporate management system in the company depends on many conditions and factors main among which are the following: level of information management, risk management and financial management. But if we try to highlight the main factor then it is of course the activities of the Board of Directors. The Boards of Directors in Russian enterprises not always in a good manner perform their traditional functions of strategic management and control of the managers in the interest of the company and shareholders. This occurs because of a number of reasons. Representatives of Russian companies often say that the Board of Directors is not needed: it duplicates executive bodies' functions, does not add value for shareholders, consequently it is economically unjustified. Such statements are not far from the truth and are explained by concentrated structure of the share capital of many Russian companies. The unwillingness of controlling shareholders to give control to the hired managers leads to the fact that they control the companies themselves to a large extent. Thus the hired managers and supervisors (the Board of Directors) and main shareholders often make one subject of control. This creates not only risks of management nature but also reduces level of reputation management of the company. The Boards of Directors in Russia are still formal bodies created under the law pressure rather than a real instrument of control and management of the joint stock company. Without development and adoption of a number of measures this situation will not change in the foreseeable future. Firstly, it is necessary to move away from a dominant role of insiders in the Board, i.e. the Board members representing controlling shareholders or management of the company. Otherwise the Board will remain a pocket

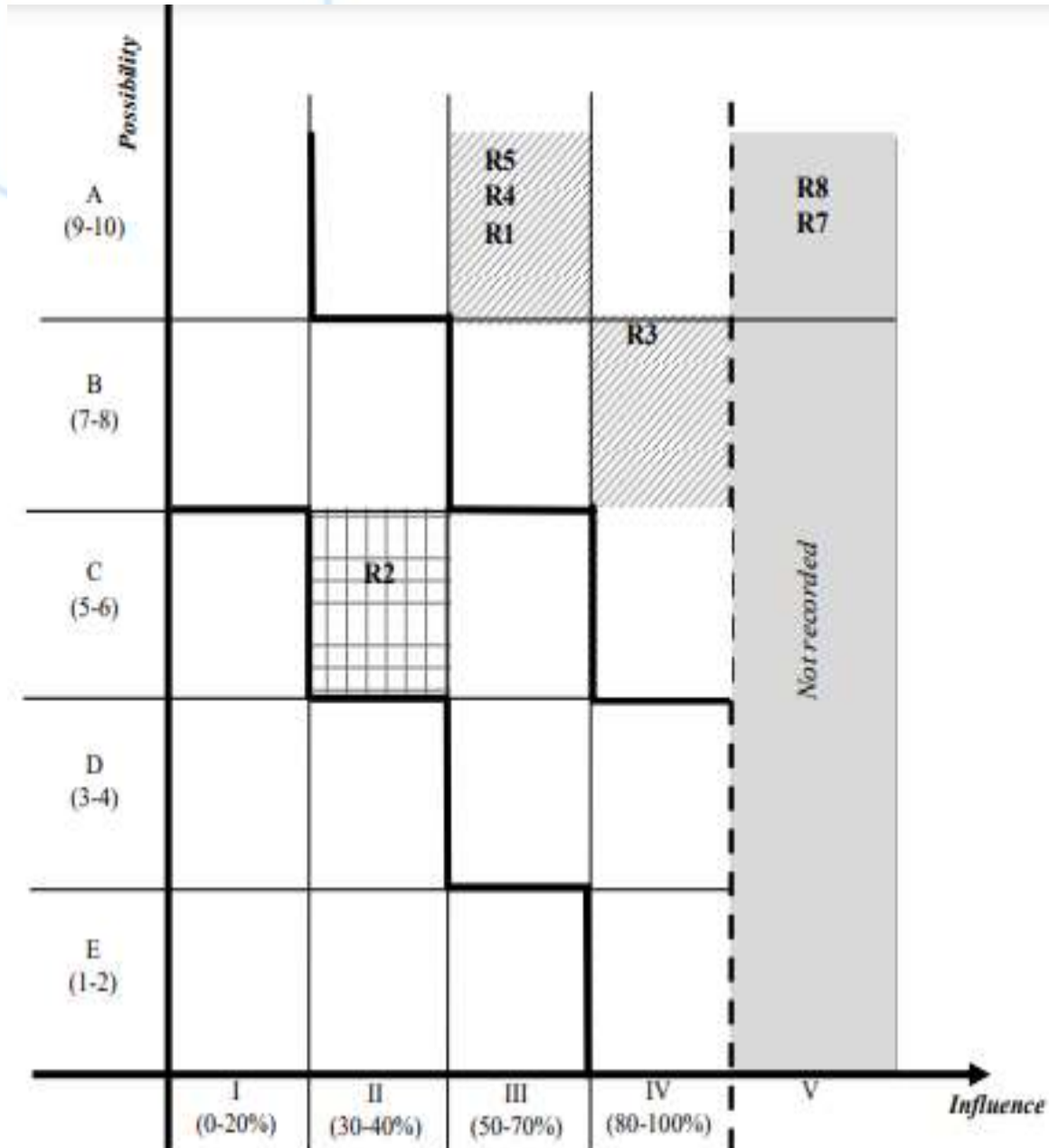
body of a controlling shareholder or managers. Secondly, the presence of non-related to management or even independent directors is not a panacea from risks appearance. Professional competencies and qualifications of directors play a huge role in ensuring the quality of risk management.

In practice in the course of the Board formation many Russian companies appreciate in candidates mostly their loyalty. With this approach the Boards turn from collegial supervising bodies into loyal structures and only formally approve decisions already taken by the Chairman of the Board of Directors. Thirdly, although the companies have recently started declaring the election to their Boards of independent directors the extent and quality of their independence cause doubt. In the companies really aiming to development and growth selection of specialists is carried out on the basis of compliance to the criteria of competency based management and independence of thinking. In this regard the functions of financial management and financial control acquire a special role to ensure the financial stability of the companies in conditions of a risky environment. In principle the tasks of financial management cannot be formed without implementation of internal financial control and audit systems. The peculiarity of the financial model of modern companies' development depends on influence of one or another economic phenomenon and is determined by level, type, kind and amount of encoded therein appropriate information. Modern risks of unstable development are caused, according to experts, by the network nature of technical and technological and social and economic processes. The response to the challenges of an information economy is providing stability of hierarchy in development of network structures (Gritsenko, 2013). The definite quantity of the coded in certain way information determines specific amount of financial expenses (expenses of physical, human and institutional capital) forming the basis of cost and price of this economic phenomenon. When it refers to information as to the substance of economic phenomena, it means identifying an entire risk basis in all various economic phenomena, which is implemented as their common information content. Coordination of information flows is necessary to ensure financial stability.

Financial manager introducing changes in organizations must be submitted broad powers to coordinate the information flows within a company. Modern financial management system is aimed at ensuring effectiveness of the company operation and achievement of the desired goals in the planned business development vector. A manager in the field of sustainable development plays a key role in the discussion of the changes control plan in the financial strategy. Information system of risk management needs to ensure the employees' awareness about changes occurring in the company as well as in the external environment. Important factors of financial stability ensuring are the following: formalization of the process of interaction with credit organizations, investors and stakeholders, as well as providing feedback from the company to



customers and contractors. In conditions of reducing market activity and resources limitation a risk management system becomes effective if based on the high-quality managerial information. The problem of design of systems of management consists in effective coordination of functional and process approaches taking into account types of productions in the company (Andreeva O., 2015).



1 Created by the authors of the article N.G. Vovchenko, M.G. Holina, A.S. Orobinskiy, R.A. Sichev.

Recently many publications dedicated to management of operational risks appeared in scientific economic literature; first of all Russian scientists examine the risks of human resources management in details. The scientific works of the following authors can be assigned to a number of Russian scientists' publications in which this area of risk

management is developed more systematically: A.A. Aminov, E.N. Bulanova, A.G. Badalova, L.M. Zabirowa, A.E. Mitrofanova, N.V. Kuznetsova, M.V. Kyntikov, T.S. Solomanidina, N.S. Shkurko. Building of risk management systems in the field of human resource risk management is connected first of all with the fact that many types of these risks are not obvious; they have a probabilistic nature. According to conceptual approaches presented in L.M. Zabirowa's work a peculiarity of risks in human resource management is their strong interrelation with nature and essence of a person as the most complex object of control. The difficulty of studying human capital risks of such a quality is connected with the level of informational and behavioral uncertainty as well as current relatively low controllability of organizational behavior system. As a result according to the scientist's conclusions many risks of human resource management are weakly controlled; they cannot be reduced to a minimum due to the nature of human resources (Zabirowa, 2009).

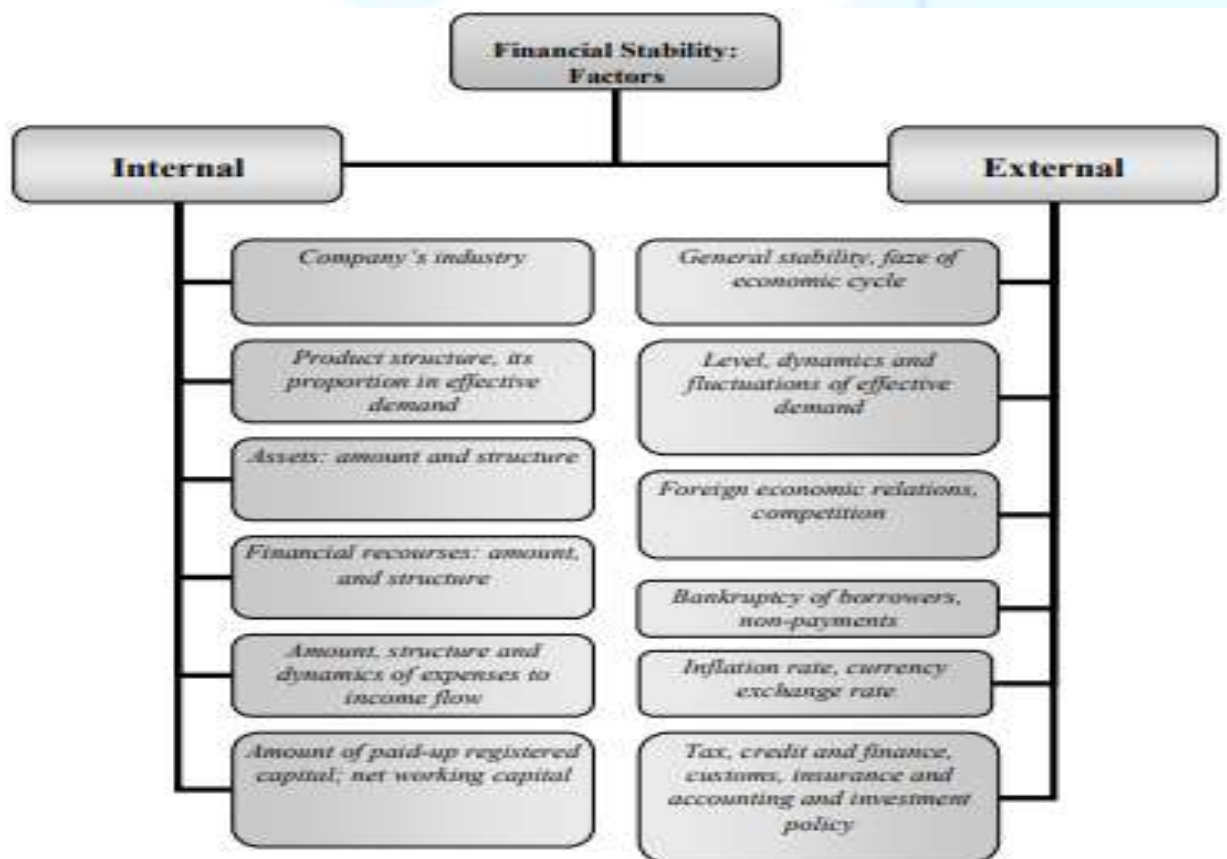


Diagram 2: The factors to influence financial stability of a company?

For example in auditing, analytical and consulting companies successfully implementing the tasks of human resource management risks in the structure of risk management the specialists do not leave their jobs if they had no time to resolve urgent for customers problems. Such professionals can work in a team and aim to support other employees in order to implement a competency-based approach to the management and



risks of the company as a whole. It is very important in the conditions of modeling of adaptive stability of corporate structures as the current trend of development of the Russian business differs in low financial literacy among an administrative link of economic entities (Andreeva O., 2015). It is also important to note that as a rule the involved specialists who watch the quality of implementing the reputation management of companies do not consider alternative proposals about moving to another company even if the salary offered is 20-25% higher than their existing salary. Loyal employees can be relied on in difficult situations and in terms of implementation of anti-crisis strategy of the company, e.g. in case of introducing changes when the scope of work grows in an unpredictable way. It should be noted also that a loyal employee will never steal former employer's customers in competitors' favor who offer him a more interesting job.

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