

Ways to Reduce Risks in Business Entities

¹ Sabina Huseynova, ² Valida Saliyeva, ³ Zenfira Bayramova, ⁴ Gunay Ibrahimova

Accepted: 11.15.2025
Published: 12.03.2025

<https://doi.org/10.69760/portuni.0110007>

Abstract. The primary mechanism through which private initiative contributes to the economic advancement of business entities is closely linked to risk management. Overall, the growth and sustainability of business enterprises are essential for addressing a wide range of socio-economic challenges. The shift toward innovative economic models, the expansion of market supply with goods and services, the increase in employment and overall welfare, the strengthening of budget revenues through taxation, the promotion of competitive environments, and the enhancement of economic adaptability all depend heavily on the effective development of business structures. In particular, the innovative capacity of business entities functions as a distinctive and strategic resource.

From the moment an enterprise is established, the processes of risk identification, assessment, and management begin to shape its operational effectiveness and competitive standing. An integrated risk management system enables business entities to better understand how risk influences organizational performance. Such a system supports numerous objectives, including minimizing potential damage to assets, improving relationships with clients, employees, and suppliers, reducing liability risks, achieving strategic business targets, promoting financial transparency, ensuring workplace safety, lowering operational losses, enhancing workplace training, strengthening internal control mechanisms, and ensuring compliance with legal regulations and international standards.

Keywords: *risk, strategy, structure, commercial, efficiency, entrepreneur, forecast*

¹ Huseynova, S. Associate Professor, Department of Agricultural Economics, Azerbaijan State Agrarian University, Azerbaijan. Email: sabinahusyn2023@mail.ru, ORCID: <https://orcid.org/0009-0004-5540-9281>

² Saliyeva, V. Senior Lecturer, Department of Agricultural Economics, Azerbaijan State Agrarian University, Azerbaijan. Email: vsaliyeva@bk.ru. ORCID: <https://orcid.org/0000-0002-8860-6343>

³ Bayramova, Z. Senior Lecturer, Department of Agricultural Economics, Azerbaijan State Agrarian University, Azerbaijan. Email: bayramovazenfira.200@gmail.com. ORCID: <https://orcid.org/0009-0000-2692-3100>

⁴ Cafarova, G. Lecturer, Department of Agribusiness, Management and Marketing, Azerbaijan State Agrarian University, Azerbaijan. Email: gunay.ibrahimli96@mail.ru. ORCID: <https://orcid.org/0009-0005-8922-2359>

Introduction

Risks affecting business entities exert a negative influence on nearly all components of their activity. They can weaken financial stability, restrict production and marketing potential, diminish managerial accountability, and complicate long-term planning. For a risk-mitigation strategy to function effectively within a business entity, a modernized and more adaptive approach to organizational management is required. Current research highlights that implementing a comprehensive business risk management strategy is most effective when entrusted to a dedicated division or subsystem that cooperates closely with other functional units within the enterprise.

According to Uskova, Selimenkov, Anishchenko, and Chekavinsky (2014), establishing such a specialized unit involves several essential steps:

- developing an organizational and economic framework;
- designing a suitable management structure;
- formulating a program of preventive risk-management measures;
- organizing labor and workflow processes.

Furthermore, deficiencies in the existing risk management system can be addressed through the following measures (Vodyasov, 2016):

- continuous monitoring of enterprise activities;
- analyzing the external environment in which the entity operates;
- conducting systematic assessments of business risks;
- planning and implementing risk-reduction measures;
- applying crisis-management principles when necessary.

All relevant information is transmitted to the risk manager, who subsequently develops and oversees the implementation of the business risk management program. For this department to function efficiently, several key factors must be ensured (Shchevyev, Bykov, & Zyablitseva, 2020):

- recruitment of qualified specialists;
- proper coordination and organization of the department's activities;
- adequate provision of informational and technical resources.

It should also be emphasized that the leadership of the organization plays a decisive role in structuring and maintaining the risk-management system. Management is responsible for approving preventive programs, setting deadlines for implementation, evaluating proposed risk-reduction strategies, rejecting ineffective proposals, and ensuring the overall execution of all approved measures (Ariabod, Moghaddasi, Zeraatkish, & Mohammadi Nejad, 2019).

Methodology

In designing and implementing programs aimed at reducing business risks, one critical challenge is the potential conflict between preventive measures and the ongoing work of core production or management departments. As emphasized by Yermekova, Romanenko, Zhanibekova, Aitzhanova, and Apakhayev (2024), risk-reduction activities often interfere with routine operational processes, making careful organizational structuring essential.

Risk management within business entities should not be treated as an auxiliary function attached to existing departments. Instead, it requires the establishment of a dedicated risk management unit positioned at an equal managerial level with other key divisions. Effective development and execution of a business risk mitigation program requires coordinated distribution of responsibilities across all departments, ensuring that risk-related activities are integrated systematically. According to Vartanova (2016), developing a comprehensive risk minimization procedure involves several sequential steps:

- defining the overall purpose of the program;
- designing the structural framework of the program;
- analyzing the firm's financial and economic indicators in view of internal and external factors;
- specifying the operational processes included in the program;
- drafting a detailed implementation plan;
- preparing an initial (preliminary) risk management scheme;
- creating a finalized, operational risk-minimization program.

The creation of a preventive risk-reduction program generally unfolds in two stages: the initial stage and the main implementation stage. During the initial stage, the organization prepares an analytical report using economic and reference data, performance records, and information on business operations. This report forms the basis for identifying key risk areas and determining strategic directions for risk reduction (Omoshev, Zhoroeva, Abyshov, Kaparova, & Mamyrkulova, 2024). Following this assessment, the risk-mitigation program itself is developed.

The main stage includes drafting the full set of preventive measures, introducing them into the organization's operations, and ensuring their practical application. As detailed by Isakov (2010), this stage involves:

- reviewing statistical, economic, and industry-specific reference data;
- formulating preliminary proposals and risk-reduction strategies;
- finalizing the comprehensive preventive measures program;
- implementing the approved program within the commercial enterprise.

The overarching objective of such a program is to reduce business risks while ensuring efficient performance under market conditions, taking into account all potential uncertainties. Achieving this objective requires addressing several fundamental tasks (Amrahov, Narimanov, Hajiyeva, Mirzazadeh, Ismayilova, & Osmanova, 2025):

- identifying current and potential business risks;
- forecasting risk-inducing factors that could negatively influence operations;
- evaluating the magnitude of their impact;
- developing preventive actions;
- lowering potential financial losses.

Risks encountered by business entities may be categorized according to various characteristics, including root causes, severity, and potential consequences. Based on these criteria, Gazizov (2014) outlines three principal approaches to risk minimization:

- complete avoidance of certain risks;
- transferring risks fully or partially to external organizations (e.g., insurers);
- accepting entrepreneurial risks independently and managing them internally.

It is also essential to recognize, as highlighted by Amrahov (2022), that preventive actions aimed at reducing risks can contradict the interests or daily activities of main operational units. For this reason, the risk management unit must operate independently while coordinating closely with all other departments to ensure balanced integration of risk-reduction strategies.

Finally, Ekimova (2013) and Ismayilov (2019) underscore that effective risk minimization is not a one-time procedure, but a continuous, cyclical process requiring constant monitoring, revision, and adaptation. A well-constructed program therefore becomes a strategic instrument that enhances financial stability, safeguards against internal and external disruptions, and supports the long-term sustainability of the enterprise.

Results

The development of an effective program for minimizing business risks begins with the initial identification of potential threats within the organization. This step relies heavily on analytical reports prepared by the economic and accounting departments, which provide the foundational dataset for assessing vulnerability areas. Following this preliminary assessment, the next task involves compiling and selecting preventive measures that would be most effective in reducing exposure to identified risks.

Once preventive options have been outlined, a structured plan of preventive measures is created. This plan is designed to lower the probability of risk occurrence and mitigate the scale of losses should an undesired event take place. Consequently, as highlighted by Amrahov, Rahimli, Mirzazadeh, Ibrahimli,

and Valizadeh (2023), a comprehensive risk-reduction program typically progresses through the following stages:

- initial identification of potential business risks;
- selection and compilation of the most suitable preventive measures;
- preparation of a detailed plan of preventive actions;
- re-evaluation and analysis of business risks after drafting the plan;
- finalization and systematization of the full risk minimization program;
- post-implementation assessment to measure the program's effectiveness in the organization.

According to Mirzazadeh and Zeynalli (2024), the structure of a preventive measures program aimed at reducing business risks should include several key components:

- a list of risks with the highest probability of occurrence;
- a catalogue of additional risks the organization may realistically face;
- a clearly defined plan of actions intended to minimize those risks;
- specific methods, tools, and tactical approaches for each risk category;
- predicted probabilities of adverse events;
- preliminary estimations of potential financial losses;
- the anticipated volume of entrepreneurial and related risks.

Among the most widely practiced mechanisms for mitigating risks in business entities is the application of insurance instruments. These include entering into insurance contracts that compensate for losses arising from specified adverse events. Insurance enables organizations to transfer some part of their risk exposure to external institutions.

Another important method is self-insurance, which involves allocating internal financial resources to cover future unforeseen expenses. Many small enterprises often lack reserve funds, making them more vulnerable to disruptions. For effective risk minimization, organizations should form targeted reserve funds according to legislative requirements and internal regulations. As outlined by Mirzazada and Camalov (2025), such reserves may include:

- price-risk insurance or self-insurance funds;
- discount reserves for goods already sold;
- receivables collection funds;
- limitation and liability reserves;
- insurance reserves for material resources;

- financial reserves for maintaining liquid working capital elements;
- retained earnings reserves, among others.

In summary, successful and sustainable business activity requires each organization to develop and implement a balanced and well-structured risk-reduction program. The ability to anticipate, respond to, and manage internal and external factors that may negatively affect operations is essential for preventing unexpected losses and ensuring long-term economic stability.

Discussion

Risk management has emerged as one of the most critical challenges confronting modern business entities, particularly during periods of economic and financial instability. In an increasingly globalized environment, enterprises—especially those operating in complex sectors such as chemical production—face heightened exposure to a broad spectrum of risks. Consequently, adopting systematic risk management principles becomes essential for maintaining operational continuity and meeting strategic objectives, even though no system can reduce risk probabilities to zero (Amrahov et al., 2023).

The introduction of a structured risk management framework enables business entities to:

- identify potential threats across all operational stages;
- anticipate, compare, and analyze emerging risk scenarios;
- formulate management strategies and decision-making mechanisms aimed at minimizing or eliminating risks;
- create the necessary conditions for implementing preventive measures;
- continuously monitor risk indicators and the functioning of the risk management system;
- assess and evaluate the outcomes of implemented measures.

As emphasized by Mirzazadeh (2025), effective risk management requires forward-looking thinking, strategic foresight, and the ability to formalize processes while responding promptly to emerging issues. These attributes help organizations enhance performance and minimize the likelihood of adverse events.

Many international companies—particularly in the United States—have already transitioned to advanced, integrated risk management systems, having recognized that traditional management approaches are insufficient for modern business environments. Effective implementation demands a clear allocation of responsibilities among all structural units. Senior management plays a pivotal role: appointing responsible personnel, approving risk-related procedures, and ensuring compliance with both strategic goals and legal regulations. Simultaneously, operational staff must be empowered to identify risks and monitor the evolving risk landscape (Amrahov et al., 2024).

Risk management also functions as a major tool for increasing organizational effectiveness. It contributes to reducing product life-cycle costs and preventing operational disruptions. Achieving these goals requires a precise understanding of the enterprise's core activities, technological processes, and the nature of existing risks. Preventive actions and reduced losses lead directly to the long-term sustainability of the enterprise. Thus, risk management refers not only to identifying threats and their consequences but also to selecting the most appropriate mitigation approach for each risk (Mirzazada, 2025).

From another perspective, risk management is viewed as a continuous, systematic cycle aimed at assessing and minimizing the consequences of potential threats while ensuring the viability of business entities. This includes monitoring, communication with stakeholders, and implementing measures that support stable development without compromising the needs of future generations. Proper risk assessment not only enhances operational stability but also strengthens resilience and sustainability (Ismayilov, 2019).

Planning and executing a risk management strategy typically involves:

- identifying risks and their impact on key business processes;
- conducting qualitative and quantitative analyses;
- developing and applying risk response measures;
- monitoring risks and overall management processes;
- assessing the relationship between risk management and performance outcomes;
- evaluating the effectiveness of the entire risk management cycle.

To enhance these processes, organizations are encouraged to adopt a comprehensive risk management methodology. Such a program defines best-practice mechanisms, tools, and analytical methods that support informed decision-making and the development of risk mitigation strategies. It specifies project scope, budgeting, time frames, and critical indicators necessary for sustainable risk management (Dewanta & Sidiq, 2023).

Performance management also supports risk management by providing essential data for monitoring adverse trends and identifying areas requiring corrective action. These actions may include reallocating resources, adjusting operational plans, or activating pre-established mitigation strategies. Severe or recurring risk indicators must be reassessed, and if risk levels change significantly, treatment approaches must be updated accordingly (Amrahov, 2015).

A proactive and evolving risk management mechanism is therefore vital for ensuring that threats are managed effectively at all stages. This includes accurate identification, transparent reporting, planning preventive measures, and continuously adapting to internal and external shifts in the business environment. The system should also monitor risks arising from interactions with partners and contractors. Implementing such a mechanism requires a clearly structured plan supported by documented guidance for each activity area.

Overall, the risk management process must remain flexible, anticipatory, and oriented toward facilitating high-quality managerial decisions. As noted by Dewanta and Sidiq (2023), an effective system achieves this by:

- continuously identifying risks and opportunities;
- estimating probability and impact;
- selecting appropriate mitigation paths;
- developing action plans;
- monitoring low-impact risks that may escalate;
- providing accurate and timely information;
- supporting communication among all stakeholders.

In practice, the strategy is designed to detect critical risk areas—both technical and non-technical—early and to implement preventative measures before they escalate into costly disruptions. Such a proactive approach helps sustain stable production, reduce financial losses, and strengthen the overall resilience of the enterprise (Amrahov, 2014).

Conclusion

The risk management process consists of several interconnected functional components—identification, analysis, planning and response, as well as monitoring and control—which together ensure the effective mitigation of risks within business entities. Risk identification constitutes the initial phase, involving systematic data review (such as earned value indicators, critical path analysis, budgeting trends, and defect or performance analyses), examination of submitted risk forms, and application of collaborative methods like brainstorming or peer review. Independent evaluations further strengthen this stage, after which risks are formally documented in a risk register. A range of tools may be employed at this stage, including structured interviews, fault-tree analysis, examination of historical records, lessons learned, checklists, expert judgment, and a detailed analysis of work breakdown structures and resource planning.

The analysis stage focuses on assessing the probability of each identified risk, categorizing risks according to their nature—such as financial, temporal, technical, software-related, or process-oriented—and evaluating their potential impact. Determining the severity of each risk involves combining probability estimates with impact assessments, while also establishing an expected time frame for the risk event’s occurrence. These analytical procedures create the foundation for informed decision-making during the next stage.

Planning and response involve assigning priorities to risks, conducting deeper analysis where necessary, and designating individuals responsible for managing specific risks. At this stage, appropriate management strategies are selected, and detailed response plans are developed. These plans are then summarized in reports that outline priority levels and proposed mitigation actions.

The control stage ensures continuous oversight by defining reporting formats, reviewing risk occurrence frequencies, generating risk reports based on triggers and categories, conducting periodic assessments, and submitting regular monitoring documents—such as monthly risk reports. Through these procedures, organizations maintain an updated understanding of their risk environment and can respond to changes promptly.

Given the complexity of these processes, establishing a dedicated risk management department is advisable for business entities. Such a unit coordinates interactions among various organizational departments and ensures that identification and handling of risks occur systematically. Risk identification itself is iterative: an initial assessment may be followed by further audits, presentations, and refinements. Overall, the risk management process encompasses three major stages of characterization—identification, assessment, and regulation/approval. When properly implemented, this system enables organizations to develop quantitative evaluations of operational and enterprise-wide risks through a comprehensive analysis of financial and accounting information. Ultimately, risk management strengthens business resilience, enhances decision-making, and supports long-term stability.

References

- Amrahov, V. T. (2015). The institutional aspects of the formation of the agricultural market. *Theoretical & Applied Science*, 10(30), 72–74.
- Amrahov, V. T. (2014). Improvement of the economic mechanism of the structural policy of the state in the agricultural market. *Theoretical & Applied Science*, 11(10, Special Issue), 471–476.
- Amrahov, V. T. (2022). Risk assessment in agrarian entrepreneurship. *Mitteilungen Klosterneuburg*, 6(72), 99–107.
- Ariabod, A., Moghaddasi, R., Zeraatkish, Y., & Mohammadi Nejad, A. (2019). Governance and agricultural growth: Evidence from selected developing countries. *Economic Journal of Emerging Markets*, 11(1), 73–80.
- Amrahov, V., Narimanov, N., Hajiyeva, S., Mirzazadeh, N., Ismayilova, T., & Osmanova, G. (2025). Development of effective financial strategies for long-term economic viability. *International Journal of Accounting and Economics Studies*, 12(SI-2), 1–9.
- Amrahov, V., Rahimli, F., Mirzazadeh, N., Ibrahimli, G., & Valizadeh, H. (2023). Satisfying the consumer demand for agricultural products: Possibilities and its prediction. *Scientific Horizons*, 26(7), 160–170.
- Amrahov, V. T., Mirzazadeh, N. G., Guliyeva, K. N., & Gazanfarova, J. V. (2024). Economic effectiveness and forecasting of scientific activity in Azerbaijan. *International Journal of Religion*, 5(7), 422–430.

- Amrahov, V. T., Mirzazadeh, N. G., Taghiyev, M. Z., Muradov, R. J., Hamidov, A. V., & Karimova, M. H. (2023). Modeling and forecasting of production in agriculture. *Journal of Law and Sustainable Development*, 11(7).
- Dewanta, A. S., & Sidiq, S. (2023). Intensity of the creative economy agency and partnership in empowering micro and small enterprises. *Economic Journal of Emerging Markets*, 15(1), 56–71.
- Ekimova, K. V. (2013). *Finance of organizations (enterprises)*. INFRA-M.
- Isakov, D. A. (2010). *Risk management for the development of municipal economic systems*. MAKS Press.
- Ismayilov, Kh. N. (2019). The impact of structural changes in agriculture on risk reduction. *Economics and Entrepreneurship*, (1), 456–459.
- Gazizov, R. M. (2014). Foreign experience in the development of rural areas. *Young Scientist*, 2, 416–418.
- Mirzazada, N. (2025). The state of organization of the management system and its characteristics. *Global Spectrum of Research and Humanities*, 2(4), 107–113.
- Mirzazadeh, N., & Zeynalli, M. (2024). Improvement of information provision of small business in the agricultural sphere. *Journal of Economics*, 1(1), 23–27.
- Mirzazada, N., & Camalov, T. (2025). Mechanism for regulating business relations. *Porta Universorum*, 1(8), 26–36.
- Mirzazadeh, N. (2025). Scientific and theoretical foundations of the formation and development of management strategy in business entities. *Global Spectrum of Research and Humanities*, 2(5), 7–15.
- Omoshev, T., Zhoroeva, A., Abyshov, I., Kaparova, G., & Mamyrkulova, D. (2024). Green technologies of the agroindustrial complex as the main element of increasing the competitive innovative development of Central Asia. *Scientific Horizons*, 27(12), 103–115.
- Shchevyev, A. N., Bykov, A. A., & Zyablitseva, I. V. (2020). Principles, strategic trends and mechanisms of food security in development areas, the North and the Arctic of Siberia. *Economic Review*, 1(3), 15–20.
- Uskova, T. V., Selimenkov, R. Yu., Anishchenko, A. N., & Chekavinsky, A. N. (2014). *Food security of the region* (Monograph). ISED T RAS.
- Vartanova, M. L. (2016). Main directions of ensuring food security in the Russian Federation. *Regional Problems of Economic Transformation*, 5(67), 29–39.
- Vodyasov, P. V. (2016). Assessing the physical availability of food for the population of the region (using the example of the Altai Territory). *Economics and Entrepreneurship*, 4-2(69-2), 227–230.
- Yermekova, Zh., Romanenko, S., Zhanibekova, G., Aitzhanova, B., & Apakhayev, N. (2024). Integration of digital technologies to improve the efficiency of small and medium-sized agricultural enterprises. *Scientific Horizons*, 27(12), 142–152.

Zubareva, Yu. V., & Pilipenko, L. M. (2016). Problems of running agribusiness and directions for their solution. *Fundamental Research*, 12-4, 858–862.