

TASKS OF RISK MANAGER IN THE CONSTRUCTION ENTERPRISE

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ABSTRACT

The paper shows that phenomena requiring an active attitude of managers, including among other things: creating risk management policy, risk identification, risk measurement, taking actions and control, are the subject of risk management. The tasks of a risk manager in the enterprise refer to a professional interpretation of economic correlations, occurring both outside and inside the enterprise. They consist in assessing information about potential risk, possible ways of lowering its effects, unfavourable for the enterprise, and indicating the advantages coming from taking risky actions. The article contains results of own research among 156 Polish building companies in the area of risk factors of building investment projects. According to opinions of Polish building entrepreneurs, Polish enterprise have biggest problems with the scope, schedule, budget and quality requirements of construction projects.

Key words: risk management, construction production

INTRODUCTION

Risk management, according to the system approach, results in many favourable phenomena. It makes us aware of there being dangers and first and foremost consequences of making even small mistakes. It enables to raise a sense of responsibility for respective tasks.

The systemic risk management in holistic terms constitutes the aspect of the whole functions of management it stands the chance of being the *road map* for ensuring the sense of safety in the organization.

The philosophy of total risk management in the enterprise is based on the following assumptions:

- risks in different areas can be dependent on each other, thus there is a necessity to adopt a holistic approach to risk management,
- completist action for the benefit of lowering risk leads to an increase in the reliable functioning of the organization, and thus ensures its safety,
- one should take into account the possibility of covering some loss while wanting to take some risk – that is why one should manage risk.

Maximization of safety is the basic aim and direction of action connected with risk management. Safety should be understood to be a total level of safety measured by reverse probability of some damage occurring. Such safety is as a rule the highest when no action occurs. The basis of safety of the economic organization can be considered in terms of the theory of reliability. The organization which shows a high level of reliability of functioning is considered to be safe.

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The built potential of an enterprise is determined by its ability to take a specific position in the structure of investment building projects. On the other hand, the selection of project portfolio, taking into account the schedules for executing individual tasks, should take into account the maximization of using the resources of an enterprise (Górecki, 2014).

Risk manager helps foresee the future of an organisation in relation to undertaking specific actions. He can almost be called 'a specialist for future matters, can be seen as an architect of an enterprise management problems. He can indicate to the deciders the types of risk that need to be avoided and what chances they should take. If we decide that each manager's domain is solving problems, therefore risk manager takes care of difficult problems or those with lack of full information.

This manager can act in an organisation as an adviser for efficient management, leading to fulfilling the mission of an enterprise, but first and foremost providing its durable presence, or even better – its developments. The aim of his actions is to meet the required aims by a firm (usually it is gaining capital and development of a firm), by implementing the least possible resorts and in shortest time possible. In order to reach such target, risk manager has to look for source and ways of threats to organisation influencing its functioning – identify them, and once it is done, define their effects (negative or positive). Further actions to be undertaken include successful overcoming unwanted effects, prevention of the occurrence of negative risk in the functioning of an organisation. Creating risk management strategy in an organisation constitutes his task.

The tools that enable the implementation of the named task are given information systems created by the manager himself for risk evaluation – including data banks with regards to past events. Creating a planning system is a useful tool based on an analysis of an internal situation of the enterprise and the threats from the surroundings. Planning system as created by risk manager (perceived also as risk controller) should be very flexible and prone to incoming signals. It takes part in setting up the policy of an enterprise based on the concept of risk.

A risk manager is a specialist on difficult situation in the enterprise. His role in the enterprise consists in providing dynamic answers to the following question: How to throw a security blanket around the organization, enabling to take some risk in allowable limits?

Risk manager cannot always evaluate risk and manage it at the same time. It depends on the size and complexity of risk in an organisation. It is equally important that the risk controller is not always competent in all aspects of risk evaluation.

It should be noticed that risk evaluation is usually a technical activity, and risk management is in the scope of policy of an enterprise. Therefore, the necessity of supporting risk manager with specialised knowledge of remaining staff.

The purpose of the paper is to identify areas of business risk managers at the business and project level.

NEED FOR ENTERPRISE MANAGEMENT BY RISK

Turbulent economic environment and specific demands of business within which the organization works prompt the necessity to flexibly manage changes across the enterprise. Accordingly, it becomes apparent that the restructuring processes across the enterprise need to be treated in a dynamic manner. As such, the comprehension of these processes constitutes an essential element of complex enterprise risk management.

The symptoms of enterprise success are achieved mainly through outstripping the competition in facilitating management. If management is treated as an art of solving problems, the phenomenon of risk is its essential element. The procedure for management by risk should include the following stages (Bizon-Górecka, 2007b):

- initial specification of key areas of risk,
- specification of the situation in the surrounding causing some danger,
- localization of places where danger occurs in respective internal processes,
- creation of descriptions of dangers connected with the occurrence of random dangers,

- specification of the map of risk,
- building the map of processes in the enterprise as a picture of the reliability structure,
- creation of a set of measures of achieving the goal of processes,
- creation of a set of data about the probability of random events occurring and leading to the occurrence of some damage,
- calculation of maximum possible damage,
- assessment of direct and indirect effects of risk,
- specification of allowable values of the level of risk (acceptable by the given organization),
- building the complex program for taking some risk. i.e. avoidance, reduction, retention and transfer,
- variant proposals of possible programs for the protection of safety in the organization,
- risk contingency, i.e. compensation of possible loss at different organizational levels – in the shape of selected resources.

It should be also notified that risk in business activities is dynamic and continually changes its position and value.

The system approach to the issue of risk provides possibilities to improve the flow of information and improve the process of the management of the enterprise. In order for the plan for risk management to be an effective instrument for risk management, it should present the results and conclusions and ways of updating results obtained so far, and also indicate who (people, institutions) is responsible for managing respective types of risks (areas of risk). The overriding task is to be able to plan reactions to risk and information about what plans are to be implemented. The plans include ways of reacting mainly to residual risks, i.e. those that cannot be avoided or also cannot be transferred or limited in another way. Another basic task of the plan of risk is to have to dynamically evaluate the investment project during the lifecycle.

RISK FACTORS IN CONSTRUCTION PROJECTS

Phenomenon of the risk is used in the situation, when a result is unknown, but there is a possibility of future situations anticipation or if there is probability of appearing some different final situations. The situations are mostly in the project management, because project has the new character. Basic areas of project management must be analysed especially with risk area.

Risk management is still evolving from one of the many tools of management applied mainly in the scope of financial management to a general concept of management in the organization. It exemplifies the situation in which one of the tools is developed and becomes a stand-alone concept. However, the future of new concepts of management of the economic organization depends on whether the organization is profitable.

It has been shown that risk management in holistic terms can be regarded as being the concept of improving management in the enterprise resulting in seamless business operation.

The observed development of interest in risk management is seen as predicting that it will soon become a core concept of management in the organization. On account of the complementary approach to problems connected with the safety of the organization, also including good relationships with clients, it can become one of the most important elements creating competitiveness of the enterprise. It will make it possible to operate on an ever-changing and more and more demanding market.

It is significant to specify variety of risk factors in construction projects. There are more crucial like time related risks, quality related risks, environment related risks, safety related risks, design drawing errors, natural hazards and many others (Kuo & Lu, 2013; Hwang, Zhao & Shu Gay, 2013).

The complexity of investment building projects results in the fact that achieving the aims of such projects is burdened with a considerable risk, which constitutes an attribute of the probabilistic character of the phenomena accompanying such projects. There is a range of threats connected with contracting of construction works.

The statement can also refer to the improvement of the systems of risk management in the enterprise. It should include the issue of managerial responsibility and insurance against professional risk of managers.

There are also problems at the interface of the functioning of a building company and the projects it participates in. Research was done in 2015 and 2016.

The drawings below present opinions of Polish building entrepreneurs on the risk factors in the projects. According to them, Polish entrepreneurs have biggest problems with the scope, schedule, budget and quality of construction projects.

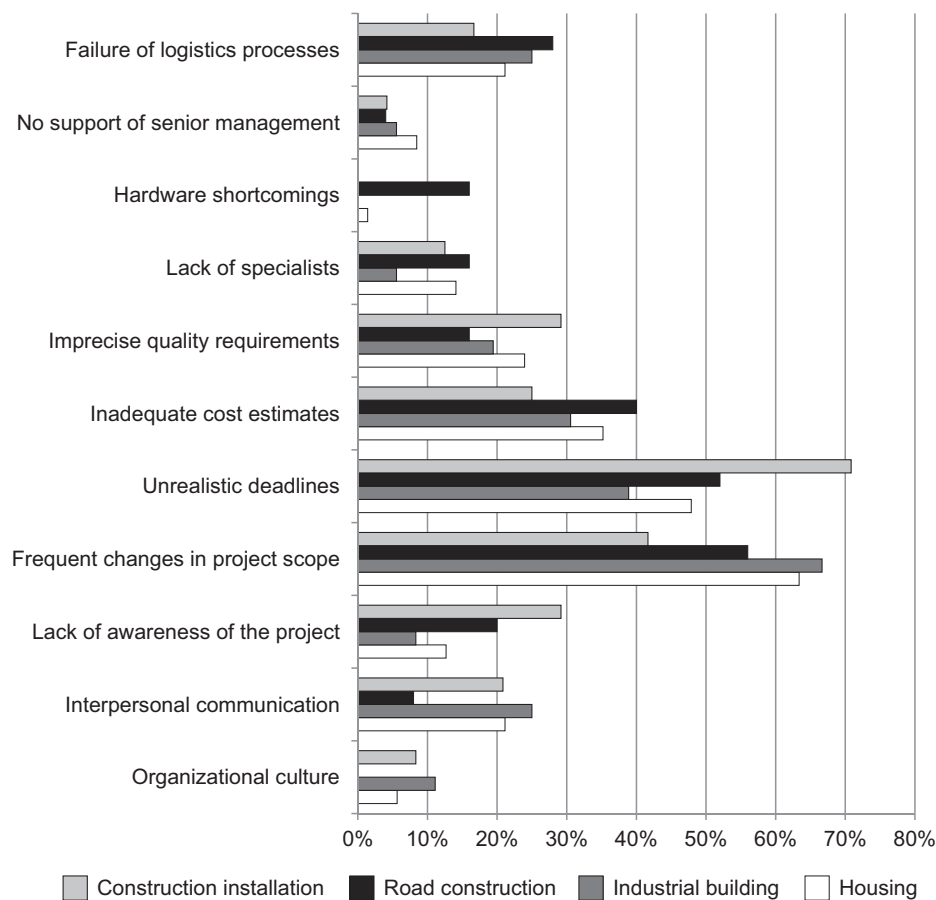


Fig. 1. Risk factors for projects in construction companies performing: construction installation, road construction, industrial building, housing (own research)

RISK MANAGER IN THE PROJECT AND THE COMPANY

The flagship person of each project is a project manager, who is supported by risk manager on the project level. Risk managers in the projects have an important role on the enterprise level. A risk manager in the enterprise is especially responsible for monitoring the policy of risk, rooted in the strategy of the organization. First and foremost, he should deal with acquiring some knowledge about the future – should explain to employees what factors impact the success of the organization (Bizon-Górecka, 2007a).

The way in which the organization appoints a risk manager is dependent on the structure and size of the organization. It can be a properly trained employee of the enterprise, or relatively a person from management. In big economic organizations it can be the entire organizational cell employing a large number of managers educated to be able to cope with problems of risk. Entities outside the organization can fulfil the function of risk managers on an outsourcing basis. The tasks of a risk manager especially include:

- identification and collection of information about risk occurring in respective processes, and also an assessment of dangers to which the given organization is exposed outside,
- specification of the type events which can be the cause of damage and what impact will be on the financial condition of the enterprise,
- building scenarios for risk-taking, which was identified and, if possible, measured, i.e. the prevention of causes, and if the effects of dangerous events are impossible to avoid.

A risk manager must make an up-to-date and detailed analysis of external and internal events, occurring in the enterprise, which can pose a danger to others. Besides, he should specify the possibility of damage, i.e. the probability and size of loss. On the basis of proper evaluation of damage, the management of the enterprise will be able to take appropriate measures aimed at lowering the degree of exposing the company to the loss of its assets. After identifying and exact evaluation of risk by the risk manager, the management must specify the means of prevention eliminating or lowering the assessed risk.

Each time the selection of proper means should be the result of a detailed analysis of the effectiveness and costs of their introduction. One should take into account the fact that costs of limiting risk cannot be higher than the value of damage which might occur.

The function of a risk manager in the enterprise is to serve management. He must take care of there being facilities for effective management in the conditions of ubiquitous risk. The major part of these facilities is, generally, the information system along with the data bank about phenomena from the past, serving the planning of the future. The structure of the system of planning, based on the analysis of the situation inside the enterprise and danger from its surroundings, is an essential part of these facilities. The system of planning in risky conditions should be flexible and susceptible to signals. It cooperates in specifying the policy of the enterprise based on the concept of risk.

Detailed tasks, attributable to the risk manager in the organization, depend on the size of the given organization, its surrounding and industry in which it operates.

However, there are certain tasks of a risk manager, which do not depend on the above-mentioned factors, as indicated in (Bizon-Górecka, 2001):

- collecting detailed information about the assessment of the level of risk in respective areas, and its processing into data in the management of the enterprise,
- building an understanding of decision-makers in terms of technical and non-technical requirements, indispensable for making safe decisions,
- creating a climate of acceptance of participation of the human factor in the decision-making process,
- drawing decision-makers' attention to phenomena, specific to the given situation, requiring the handling of the problems of risk in the given place and time,
- specifying the implications of respective areas of risk for the effectiveness of the operation of the economic organization as a whole.

A risk manager, responsible for managing risk in the organization, not always can assess risk and manage it at the same time. It depends on the size and complexity of risk in the organization. In some risk-inducing areas, one must separate the assessment of risk from risk management. It refers especially to the situation in which there is a danger of the impact of unsubstantial factors on the assessment of real risk (e.g. in terms of losing health). One should also take into account the fact that a risk manager cannot be fully competent in all areas of risk assessment. The idea of separating the risk assessor from risk manager does not have to mean

a total isolation and refer to all risk-inducing areas. Certain overlapping of common parts of risk assessment and risk management is indispensable. Some areas of risk can be assessed by a risk manager. The above-mentioned results from the fact that risk assessment is most often technical activity, and risk management is the activity from the policy of the enterprise. Risk managers must always look for explanations about the assessment of risk if it raises any doubt.

A risk manager and at least one of his specialists must know the specifics of the given branch, in which the enterprise operates. Both its business problems, and technological methods applied in the organization of internal processes.

One should also take into account that fact that the assessment of risk is most often a technical activity, and the management of activities, including this risk depends on the field of policy of the given enterprise. A risk manager must present qualifications both about the problems connected with the assessment of risk (in all business areas of the enterprise), and also in terms of management. He should be able to introduce envelope-pushing and trend-bucking thinking to the enterprise. He should be able to analyze statistical materials from the environment and different departments of the enterprise and create a clear picture of the situation of the enterprise and its economic environment.

In the enterprise risk manager should be an all-around and versatile risk analyst. Analysts, with much knowledge and experience, can synthesize available information and ideas of solving difficult problems, helping in the development of the organization. They should also have enough capabilities and experience in order to be able to go further into business problems and develop their own ideas that are innovative enough to push the boundaries of traditional specializations in the enterprise, e.g. finances, safety and hygiene of work etc.

CONCLUSIONS

The implementation of the system of risk management is above all aimed at minimizing losses in all processes, which means profits for the organization. The development of risk management as a comprehensive conception of the management of the organization is boosted by the easy transfer of benefits, which leads to the understanding and engagement of the management staff.

In risk management it is important to make on-target predictions about the effects of operational risks and those that originate in the surrounding of the organization, and also the assessment of the ability to absorb possible losses. The results of such predictions can be used for specifying places and scope of reactions to risk. Enterprises usually count on themselves, which on the one hand leads to being careful in taking some risk, and on the other hand gives possibilities to make a legible assessment of how big risk (rather its effects) is for the organization to bear. Risk management is today especially important because of the visible economic globalization worldwide.

Risk managers, who deal with the monitoring and control of risk, must transfer the results of their considerations to decision-makers in the enterprise. Without effective communication proper risk management is impossible. It is assumed that the lack of communication is the biggest risk, which can lead to misunderstanding the goals of the given organization.

In the scope of risk management – theoretical basics, tools, methods are the most developed and established in terms of financial risk. Whereas currently there are systematic considerations about total risk management in the enterprise. Tools for risk management in the enterprise are implemented by many consulting companies worldwide, and the position of risk manager is being established in the organizational structure of enterprises.

Despite the complexity of relations of projects and their contractors, there is dependence between the success of a building company and the success of investment building projects implemented in conditions of varied risk. Therefore, it is recommended for building companies to implement the philosophy of management through projects.

In their functioning strategy building companies should take into account the periodical changeability of the overall economic situation in the construction business, as well as the changeability of the demand for specific types of construction projects. For this reason, they should make their organizational structure more flexible, making it ready for answering the changing market requirements in the area of various construction works.

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ZADANIA MENEDŻERA RYZYKA W PRZEDSIĘBIORSTWIE BUDOWLANYM

STRESZCZENIE

Praca ukazuje, że zjawiska wymagające aktywnej postawy menedżerów, w tym dotyczące m.in. budowy polityki ryzyka, jego identyfikacji, pomiaru, podejmowania działań, kontroli, są przedmiotem zarządzania ryzykiem. Wskazano, że zadania menedżera ryzyka w przedsiębiorstwie sprowadzają się do fachowej interpretacji zależności gospodarczych, pojawiających się zarówno w otoczeniu, jak i wewnątrz przedsiębiorstwa. Polegają one na ocenie informacji o potencjalnym ryzyku, możliwych sposobach zmniejszenia jego skutków niekorzystnych dla przedsiębiorstwa oraz wskazaniu korzyści płynących z podejmowania działań ryzykownych. W artykule przedstawiono wyniki badań własnych przeprowadzonych w 156 polskich przedsiębiorstwach budowlanych w zakresie czynników ryzyka budowlanych projektów inwestycyjnych. Ukazują one, że przedsiębiorstwa budowlane borykają się głównie z problemami zakresu, harmonogramowania, budżetu i wymagań jakości projektów inwestycyjno-budowlanych.

Słowa kluczowe: zarządzanie ryzykiem, produkcja budowlana