

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****ETHICAL COMPONENT OF ANTI-RISK MANAGERIAL IMPACTS DURING CRISIS**

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**Abstract**

The research topic's relevance is that today civilization makes an ethical choice in favor of human lives and not in favor of the economy. This experience is likely to affect further activities of socio-economic ecosystems. The study hypothesizes that it will be possible to form an ethical assessment of anti-risk managerial impacts implemented by businesses, state institutions, and non-profit organizations. The purpose of the study is to expand the understanding of the structure of the risk management system in crisis periods and the applicability of anti-risk managerial impacts that take into account the ethical values of employees, partners, and customers of the enterprise. Features of the methodology – as a methodological tool, this study uses the system economic theory, in terms of the development of ecosystems' economy, and the operational theory of risk management, supplemented by elements of the theory of marketing communications. The study results showed that to successfully get out of a critical situation and solve significant problems for enterprises and organizations, it is vital to take several steps. A program of anti-risk managerial impacts has been proposed. In developing these impacts, not only negative manifestations of risk in an enterprise's activities are considered, but some opportunities may appear.

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## 1. Introduction

The society is currently demonstrating its readiness for significant economic losses to save its most vulnerable members. Civilization makes its ethical choice in favor of human lives, and not in favor of the economy. Harmful environmental disruptions may ripple through the supply chain components of enterprises like a wave (Levner & Ptuskin, 2018). This experience is likely to further recover the activity of socio-economic ecosystems with collectivist orientation that uses liquid framing at both the micro and macro levels (Yolles, 2019). These integrative frameworks allows the comparison, contrast and integration of various perspectives at different levels of analysis (Yablonsky, 2020). This recovery will be based on many interests of various economic agents responsible for meeting customers, employees, and partners' needs. The introduction of ethical principles into the daily practice of managing socio-economic ecosystems can contribute to the sustainable development of such ecosystems (Jones et al., 2017).

The functioning of the risk management system is determined by the established set of ethical values and practices at the enterprise, shared by all the employees, in particular, the culture of risk management, the effectiveness of communication policies and the translation of such values into external environment (Burgess et al., 2018). In this study, culture is understood as a social phenomenon designed to organize the world around a person structurally, and is a non-hereditary memory of a group of people, translating its life experience into cultural "texts", thereby providing the necessary stability to society (Lotman & Uspenskii, 1971). In other words, in this context, culture is a system of spiritual values, ideas, attitudes, patterns, signs and symbols that have developed in the enterprise, as well as cultural and material values created by the enterprise.

In the era of digitalization, managers' main attention is usually focused on processes, and a so-called culture of the role is formed, i.e. a certain function that ensures the operation of a socio-economic ecosystem as a single organism (Wangen et al., 2018). This unification becomes a barrier to the negative impact of the shortcomings of specific employees and possible abuse. Currently, risk management is limited to two mechanisms: proactive and reactive (Malik et al., 2020). Some qualitative types of risk assessments can be used in conjunction with functional resonance analysis method to strengthen the resilience of enterprises (Bjørnsen et al., 2020; Tan et al., 2017). Risk factors for enterprises with a predominant culture of the role are shock changes in both external and internal environment, because enterprises with an organizational culture of this type operate successfully only in a stable environment. This type of organizational culture is formed based on the assumption of each employee's rational nature, which allows them to act effectively. The thesis about the rationality of economic agents' behaviour, in fact, is the only axiom of modern economic theory, and, apparently, the only common place for such opposing paradigms as neoclassical and behavioural theories.

In a world filled with uncertainty and emotionally charged behaviour such as market panics, collective fears, etc., an economic agent's rational choice must increasingly take into account current ethical norms and principles.

## **2. Problem Statement**

The study hypothesizes that the recovery period of the economy coming after the end of quarantine measures and its exit from the mobilization, crisis regime will exacerbate the ethical component of managerial impacts in all spheres of economic life which will primarily affect anti-risk managerial impacts. It will be possible to form an ethical assessment of anti-risk managerial impacts implemented by businesses, state institutions, and non-profit organizations.

## **3. Research Questions**

How can the ethics of decision-making in the enterprise affect come out of the crisis?

## **4. Purpose of the Study**

The purpose of the study is to expand the understanding of the structure of the risk management system in times of crisis and the application of promising anti-risk managerial impacts that take into account the ethical values of employees, partners and customers of the enterprise.

## **5. Research Methods**

As a methodological tool, this paper uses the system economic theory to develop the ecosystem economy (Kleiner, 2019), and the operational theory of risk management (Kachalov, 2012), supplemented by elements of the theory of marketing communications.

The managerial decision-making process includes a description of the desired result of the transformation in compliance with the enterprise's objectives. In other words, the enterprise's purpose can be considered a subjective image of the intended result of the planned actions. At the same time, the specification of the composition of managerial actions that would allow achieving or approaching the goals as closely as possible in the current or predicted conditions is carried out at the planning stage.

If the goals are not precisely set, the development of managerial decision may take an unlimited amount of time, because each participant in the decision-making process will not understand what result must be achieved in a certain period of activity. If there was a deviation from the objectives of the enterprise, then the reason for this deviation is the realization of one or several risk factors, and the mitigation actions taken could not correct the negative effects of these factors (Aven, 2016).

Modern enterprises operate in a complex environment, which generates new types of risks and creates favorable conditions for the emerging of extreme and rare events that may seriously perturb the current and long-term performance of enterprises (Komljenovic et al., 2016). The external environment generates a significant amount of information about the events around the enterprise (Hartl & Hess, 2017). The flow of information increases in time, and the principal problem is the identification of precisely those signals, which may indicate the need for changes in the activities of the enterprise (Jacobs et al., 2019). Making of a managerial decision requires the knowledge of the details of who does what in the enterprise (the subject of the action), what is happening (the action), how, when, where (the

circumstances), as well as the means of the action. The management of the enterprise divides the whole complex of tasks into separate segments, distributes them between the actors, provides them with the means for execution and controls the process of realization.

## 6. Findings

A sign of the modern times can be considered that the managerial subject (Manager) and the managed subject (employee) can be removed in space, which introduces some peculiarity to the management task. In this context, management is understood not as a rigid determination of the managerial system, but as "soft forms of management" – creating conditions for their development, in which various mechanisms of social impact take place: moderation, mediation, support, stimulation, etc.

The concept of "risk management culture" can be specified as a set of competencies, technologies, and practices for managing the risk level of undesirable deviations from economic activity goals. The enterprise implements these goals in the course of its activities, developing a strategy and its implementation in the procurement of raw materials, production, storage and sale of products.

Since the concept of risk is usually associated with both its negative and positive manifestations when developing anti-risk managerial impacts in shock situations, negative manifestations of risk in the activities of an enterprise will be considered and opportunities that may appear.

As an illustration of the approach to anti-risk managerial impacts from the ethical component's point of view, we can give an example of a SWOT analysis of a certain average enterprise in a crisis period (Table 1).

**Table 1.** SWOT analysis highlighting the ethical component of managerial impacts

<b>Strengths</b>	<b>Weaknesses</b>
High accumulated margin of financial strength High adaptability of the production management system High degree of digitalization of management processes	Low adaptability of the management system of sales and service delivery process Low degree of digitalization of production processes, difficulty in organizing remote work of employees
<b>Opportunities</b>	<b>Threats</b>
Strengthening the corporate spirit and team solidarity Strengthening the brand's reputation as a socially responsible business	Significant reduction in the number of employees Loss of brand reputation in the eyes of the target audience

As a rule, enterprises with a network structure, with many interconnected subdivisions-teams, each of which is primarily autonomous, bears a share of responsibility as the role of feedback grows, come out of the crisis with the least losses (Chernov & Daiker, 2015).

Managerial resources are distributed by subdivisions in such an enterprise and the concentration of resources is subject to the solution of certain tasks.

To successfully get out of a critical situation and solve extraordinary problems for enterprises and organizations, it is important to take a number of steps or anti-risk managerial impacts:

- the most obvious of them, is cost minimization;
- identify a group of professionals (the so-called anti-crisis staff) at the enterprise who can act as first responders to reduce the response time to risk situations (Mojir et al., 2019);
- create a team of employees to identify emerging opportunities and needs of customers and partners;
- allocate resources for the enterprise communication with the external environment;
- create additional platforms for communication within the enterprise, aimed at creating favorable conditions for employees (Riemer et al., 2015).

Such specific anti-risk managerial impacts in conditions of uncertainty are necessary for the enterprise to adapt to shocks in the external environment, such as large-scale anti-epidemic impacts.

Managerial decisions taken in this regard can affect all types of activities within the enterprise: sales of products and services, production, marketing and advertising, procurement of raw materials.

The forecast of the consequences of the proposed managerial impacts in the enterprise's socio-economic ecosystem is necessary to reduce costs and effectively use minimal resources, use such general properties of the ecosystem as economy and environmental friendliness and sustainability of development (Lozano, 2018).

## 7. Conclusion

This paper proposed a new way to understand the structure of the risk management system in times of crisis. The construction of some steps in this paper relies on a significant simplification of the situation. This study shows that successfully get out of a critical situation and solve significant enterprises and organizations' significant problems. It is vital to take a set of anti-risk managerial impacts.

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